

# Speech: Trade and tariffs: Brexit and beyond

Thank you. And thanks to DWF and Hume Brophy for hosting us this morning.

Trade policy is all about playing to your strengths – it's called comparative advantage for a reason. So I think it's particularly apt that we're being hosted by a purveyor of one of our finest exports – legal services. Especially one based in Manchester.

## **The work of the Department for International Trade**

As you've heard, I'm the Minister for Trade Policy.

In crude terms, that makes me minister for trade agreements, as well as things like trade preferences for developing countries, agreeing WTO schedules, and establishing our own independent trade remedies regime, so we can protect industry against dumping and other unfair practices.

Today I've been asked to talk about our priorities in some of those areas.

But before I start I should emphasise that my department, the Department for International Trade, has a range of other priorities: things like encouraging small businesses to export, securing foreign direct investment from firms overseas, and providing export finance.

People often assume that DIT is a purely Brexit department, but this kind of bread-and-butter work is equally important and has been going on since long before the referendum: [UK Export Finance](#) is actually the world's oldest export credit agency.

What Brexit has done is give this work renewed emphasis, which is why we now have a dedicated Department for International Trade, so that all trade-related work is done under one roof, and so trade has its own voice at the Cabinet table for the first time in over 30 years.

To give one example: UK Export Finance can now give support in over 60 currencies. We'll also be launching a new Exports Strategy in the coming months.

A lot of that support is about helping us export more to the EU, and I've made numerous trips across Europe to promote UK exporters and the UK as an investment destination.

## **Our negotiations with the EU**

I think that's an important reminder that we shouldn't see European trade purely through the prism of Brexit negotiations – trade isn't all about trade agreements.

Nonetheless, I will touch on those negotiations.

As the Prime Minister has said, the government wants a deep, comprehensive and unique free trade agreement with the EU.

We want that because we value EU trade.

When I talk about the opportunities that lie outside the Customs Union, people often accuse me of ignoring the opportunity right on our doorstep. But I can assure you that the government is fully cognisant of that.

The EU takes two fifths of our exports; they're a developed market of half a billion people starting 20 miles from Dover.

That will always be important – it's simply that I don't see this as an either/or choice.

As a British MP, born in New York with a German wife, I've always seen the choice between Britishness, globalism and Europeanism as a false trichotomy, and so it is here.

By leaving the Customs Union, we will have the ability to sign new trade agreements. But I believe we will also get a good deal with the EU.

By the Commission's own estimates, trade with the UK are worth over EUR 800 Billion to the EU27. On the day we leave, we will immediately become the EU's second-largest trading partner, only slightly behind the US, and well ahead of third-placed China. It is strongly in the EU's interests to sign a deal.

Yes, in relative terms the trading relationship is worth even more to us than it is to them. But it's not a zero-sum game.

And in technical terms this is more straightforward than most trade agreements: this will be the only trade agreement in history where the 2 sides start from a position of already being aligned.

## **Our priorities for non-EU trade**

So I think we will get a strong, mutually-beneficial trade agreement with the EU. But what of trade agreements outside the EU – what of our priorities and our progress there?

We can split this out into our overall aims, how we're achieving those aims, and how we're prioritising them.

Our overall aim is to ensure continuity and certainty for UK businesses, by transitioning the 40 or so trade agreements the EU has in place with third countries.

We will also take advantage of the great opportunities outside the Customs Union – the IMF has predicted that 90% of global growth will be outside the EU in the coming years – by agreeing new trade deals.

We're already making strong progress towards achieving these aims. Last month's draft text on the withdrawal agreement included the ability for the UK to negotiate and sign new trade agreements during the implementation period.

And although we can't do that yet – we're bound by the EU's principle of sincere cooperation – we're laying the groundwork.

We're laying the groundwork domestically. I am currently taking the [Trade Bill](#) through Parliament, which will, amongst other things, give us the power in domestic law to transition the EU's existing third-party trade agreements.

And we're laying the groundwork with our trading partners: we have set up trade working groups with 21 countries.

As for prioritising trade agreements: as you would expect, this is a holistic process; we look at things like the ease of achieving a deal and the size and compatibility of the other country's economy.

But there's no algorithm that will tell you what to do.

## **Our world-leading services**

As you would expect, wherever we discuss trade with services are important.

Services make up 44% of our exports. That's equates to a higher-proportion of GDP than for any G7 country and makes us the world's second-largest services exporter; second only to the US.

And if anything that underestimates the importance of service exports: when you look at value-add – taking into account re-exports – services are worth around two-thirds.

That's led right here, by the financial, professional and business services of the City of London: a sector close to my heart, given the time I spent on trading floors here before I went into politics, and the number of my Chelsea and Fulham constituents who work here.

Given our hosts, I specifically want to mention our 'Legal Services are GREAT' campaign, launched in October in Singapore.

This is spreading the word worldwide about our legal system's predictability, commercial adaptability and certainty; our judges' integrity and experience; and the depth and breadth of expertise that has made to UK such an exceptional global legal hub.

We want to protect our services trade as we leave the EU. But we also want to do much more. Trade in services has historically resisted liberalisation much more than trade in goods.

## **The UK: a voice for free trade**

So trade policy post-Brexit will be about much more than individual trade deals. It will also be about Britain becoming a voice for free trade, at the World Trade Organization and other international fora.

We are currently working to ensure we have our own WTO tariff schedules. We're already a member in our own right, but we're currently covered by the EU's schedules, so we've taken the decision to replicate these for the time being, partly so business has maximum certainty.

We're already a World Trade Organization member in our own right. But not one with our own voice, as the EU speaks for all member states.

The IMF estimated that we were the world's fifth largest economy at the end of last year, and in today's world, where there's so many forces in favour of protectionism, it is to everyone's benefit to have a nation of Britain's stature making the case for free trade.