

Speech: Economic Secretary speech to CityWeek 2019

It's a great privilege for me to deliver the opening remarks at this year's City Week.

I think in ordinary circumstances, today would be a dream occasion for a Treasury minister.

Unemployment down, wages up, inflation steady.

Nine years of consecutive growth behind us. Five more to come.

The City's traditional strengths in good health, with a trade surplus in financial services of more than £60 billion – the largest in the world.

FinTech flourishing; other new sectors taking root – in London and in the regions of the United Kingdom.

I suspect several of my predecessors would have sacrificed their first born for such a positive set of indicators...or if not a first born, then certainly a private secretary or two.

And yet there remains a stubborn shadow over an otherwise positive outlook.

You won't be hearing rhetorical gymnastics from me today to try to disguise the fact that we are not where I'd hoped we'd be in terms of Brexit.

I know the City wants and frankly deserves certainty, and I'm sorry I can't give you that today (Monday 20 May 2019).

But it's absolutely right that the government continues to seek consensus for a deal that can command a majority in the House of Commons.

Yes, it's a slow and frustrating process, but we're a democracy;

As Churchill said, "the worst form of government – except for all the others".

But the fact of the matter is we can't allow the impasse in Parliament to hold the City back...

So this morning, I want to look beyond Brexit, and talk about the long-term opportunities that exist for the United Kingdom among the markets of the future.

That's not to downplay your concerns.

But now that the danger of a cliff-edge exit in March has passed, we do have an opportunity to pause, step back and take stock.

Because the danger is that we become so drawn into the Brexit debate that we lose sight of where our real strengths and opportunities lie.

So, let us start by asking ourselves: where will the growth in demand for financial and professional services come from over the next decade?

Earlier this month, I welcomed my Hong Kong counterpart to London for the first UK-Hong Kong Financial Dialogue.

We agreed to deepen our cooperation on financial services, particularly in accessing China and Asia.

One of the initiatives we discussed was the Greater Bay Area.

The potential found along this stretch of coastline is astounding.

Eleven major cities.

70 million people.

Three of the world's 10 largest container ports.

And a £1.5 trillion economy which is expected to double between now and 2025.

All within an area representing just 1% of China's landmass.

Now it struck me that we often approach the opportunities of China's growth as if it were comparable to a traditional economic partner, when we should in fact be thinking of it as the equivalent of 4 or 5 European-sized markets.

This is just the view in 2019.

What about 2030, when Africa has a larger working age population than China?

Or 2050, when Indonesia has displaced Germany as one of the world's 5 largest economies; with Mexico, Turkey and Vietnam rapidly rising-up the ranks?

PwC predict that by 2050, the 'E7' countries will have a 46% share of global banking assets, whilst the G7's share will shrink to just 30%.

This might seem a long time away, but in the grand sweep of history it really isn't.

And while it's important we establish our future regulatory relationship with the EU, the fact of the matter is London isn't a European financial hub. It's a global financial hub. And we must never forget that.

And if we're serious about retaining London's pre-eminent position, then we need to act now to strengthen the skills, the structures and the partnerships that will serve us in the decades ahead.

Because the energy and focus we devote to this task will shape our future prosperity every bit as much as Brexit, if not more so.

I know many of you are already focused on doing just that.

Last week, I had the pleasure to attend Aviva's annual reception in Parliament, where I heard about their efforts to expand into Indonesia's growing insurance market.

Everything I've seen in my time as City Minister gives me reason to be confident.

Because while Parliament has been deadlocked, the City has been moving forward; doing what you do best...

Embracing new ideas...

Exploring new markets...

Pursuing new opportunities...

Believe it or not, some of us in Westminster are trying to look to the world beyond Brexit too.

So what I'd like to do now is highlight four areas of activity where the government and the City are working together to unlock the long term global opportunity.

Green Finance

The first is Green Finance.

As many of you know, the UK is already leading the world in this fast-developing sector.

More than 100 green bonds have been listed in London to date, from 16 countries raising \$26 billion.

And a host of new initiatives are gaining traction, including green loans, green mortgages and ESG exchange traded funds.

I want to do all that I can to maintain the momentum.

Our aim is to establish the UK as the undisputed global hub of green finance, with links to all the major markets.

Later this year, we will publish our Green Finance Strategy to put flesh on the bones of this growing ambition.

And the Green Finance Institute – which will be launched on 2 July – will put our plans into action, developing and communicating the UK's strengths in this dynamic market.

I welcome the recent appointment of Dr Rhian-Mari Thomas as CEO, and under her leadership I have absolutely no doubt that the Institute will help drive the green finance agenda in this country and around the world.

FinTech

The second opportunity is FinTech.

Last month's FinTech Week was a chance to reflect on progress since the government published our FinTech Sector Strategy.

Our five FinTech Bridges are up and running, linking our most promising start-ups with overseas markets.

The revolution in Open Banking is underway, heralding greater competition, innovation and choice than ever before.

And our regulatory sandbox has been widely admired – and much copied – all around the world.

Indeed, the FCA's proposal to create a global sandbox has now found form in the Global Financial Innovation Network.

Operating since January, it's looking at ways to enable firms to test products and services in multiple jurisdictions.

A UK company – Onfido – is among those selected for the pilot programme.

The very fact that the UK is front-and-centre of this work is testament to the global recognition of our FinTech strength.

And it shows what we can achieve when government and business come together around a comprehensive, long-term set of goals.

India

And where better to leverage our growing strengths in Green Finance and FinTech than in the world's fastest growing economy?

India currently invests more in the UK than in the rest of the EU combined, and it's the third area of opportunity I want to highlight this morning.

The UK is already India's partner of choice for professional and financial services.

Last month saw the first ever Masala Bond issued by a sub-sovereign Indian entity...and they chose to do it here in London.

Now we are working to extend our partnership.

In February, the Green Growth Equity Fund invested over £150 million in Ayana Renewable Power; the first such investment by this new UK-India venture.

We expect the Fund to raise up to £500 million of international investment through the City of London to support sustainable energy initiatives on the sub-continent.

And in February, we launched the first UK-India Joint Working Group on

FinTech, to identify mutual opportunities for our respective tech sectors.

Both these examples are indicative of the opportunities that exist for the UK when we nurture our long-term partnerships.

With that in mind, the government is very pleased to be co-hosting the Square Mile's first ever India Day with the City of London Corporation on 16 July.

China

From India, our journey of opportunity and ambition continues eastwards, toward China, my fourth and final example.

I've mentioned the inaugural Hong Kong Financial Dialogue.

There was a real warmth and openness to our discussion that was obviously based on our shared history but, more importantly, the shared appreciation of the opportunities that exists to deepen cooperation between our two financial centres.

We were joined by 60 industry representatives to discuss how we can maximise the opportunities around RMB internationalisation, the Greater Bay Area Project and the Belt and Road.

Impressive as China's growth has been over the past few decades, their experience of regulation, investment, project management and other areas is still maturing – which of course plays to the UK strengths.

As the Chancellor made clear during his recent visit to China, the UK is a 'natural partner' when it comes to Belt and Road.

A partner with the legal and technical expertise to support the design, development, contracting and delivery of major infrastructure projects.

And with the capacity in our capital markets to help finance them too.

Over the past decade we've established the UK as the leading financial services partner for China, and London as the leading global centre for RMB trading.

And next month, here in London, we will use the tenth annual Economic and Financial Dialogue between our two countries to deepen that relationship further still.

Global Financial Partnerships

So I've given you a brief flavour of some of the initiatives I've been involved with as City Minister...

Markets of the future...

Allied to the rising economies of the world...

And underpinned by the City's time-honoured strengths...

We're nearly half way through 2019 and the possibilities are coming thick and fast...

I highlighted India and China...but I could have just as easily chosen other examples.

This week the PM and Chancellor will meet with leading figures from financial and professional services to discuss how to ensure that the UK's business environment remains one of the most competitive in the world for these sectors.

And when we leave the EU, we will pursue our Global Financial Partnerships Strategy...

...seeking deeper, enduring, open and ambitious relationships...

...making it easier for firms to do business with other markets around the world...

...cementing the City's position as the global capital of finance...

...and shaping Britain's place in the world for years to come.

Unfortunately, I must leave to prepare for two Westminster Hall Debates and Treasury Oral Questions later today.

But Katherine Braddick, HM Treasury's Director General Financial Services, is here for the Panel Discussion.

Let me end by saying I know Brexit is frustrating. I hear your varied concerns. The government hears them too, and we will do all we can to ensure you have the assurances and continuity that you need.

But ultimately our success rests not on regulatory alignment or political agreements, critically important as they are.

Our success rests on the confidence and ambition that exists in this room.

You are the leaders and influencers within the Square Mile, and our economy at large.

Where you tread, others will follow.

So, I wish you every success for this week's conference.

And as you chart the way forward, I will do everything within the power of my office to support you on your journey of global opportunity.