

Speech: Global Britain: the future of international trade

Good afternoon.

It is a pleasure to be here at City Week, and an honour to be invited to speak alongside so many distinguished panellists and guests.

Financial and professional services are an intrinsic part of our international trade.

To those of us in this room, that may seem an obvious statement – finance is an inherently international industry, and one that enhances this country's global reputation.

Yet for too many people, the word 'trade' still conjures up images of cars and steel, container ships and raw materials, customs officials and import tariffs.

All the elements of our trade are of course important yet for advanced, post-industrial economies like the United Kingdom, professional, business and financial services make up a large proportion of our export profile.

We are, after all, an 80% services economy.

Increasingly, the world not only wants what Britain makes, but also to tap into the vast pool of knowledge, talent and expertise that we have across a vast range of industries.

In the knowledge economy we have what others want.

Currently, services make up around 45% of gross UK exports. But this rises to almost two thirds when trade is measured in value-added terms.

It also varies with markets. With non-EU countries, services account for 50% of UK exports.

With the US, our single largest trading partner, it is 55%.

While with the EU, it remains under 40%.

Overall, our trade in services accounts for some 20% of UK GDP – higher than any other G7 country.

This is not to understate the value of our manufacturing industry. Indeed, UK manufacturing has had a remarkable year, with order books reaching a near 30-year high at the end of 2017, according to the CBI.

And, as Britain's technological expertise ignites the fourth industrial revolution, this country will continue to boast world-leading advanced

manufacturing and engineering capabilities.

The point that I am making, though, is that discussions around trade and export policy can often be too focussed on the movement of physical goods, to the detriment of our comparative advantage in services.

So, for the United Kingdom, a different approach is required.

I lead a fully integrated trade department that brings together, for the first time in British history, all of the key levers to drive future trade.

Our responsibility of course includes negotiating free trade agreements, but this is far from all we do.

The work of the Department for International Trade focusses on attracting foreign investment, export promotion, export financing and the broader formulation of trade policy and a business-friendly trading environment.

Most importantly, we offer a 'one-stop shop' for businesses, not only supporting their current commercial activities, but allowing them to help shape the policies that will drive long-term growth.

Put simply, DIT wants to listen to industry experts. This is especially true in financial services.

It is no coincidence that we have just appointed [John Mahon, former Head of Barclays Corporate Bank, as our new Director General for Exports.](#)

I am delighted to welcome John onto the team and look forward to the wealth of experience that he will bring to the role.

My department also believes that the diversity of the UK services offer is one of its intrinsic strengths.

Services of all types make up a remarkable 80% of UK economic output, creating a similar proportion of the nation's jobs.

And the robust performance of the UK economy continues to defy the gloomier forecasts.

Official figures show that the employment rate is currently at 75.4% – up 0.8 percentage points from a year ago and the highest since records began.

On average, more than 1,000 people have found work every day since 2010.

And, as recognised by the ONS, wages are now outpacing inflation, meaning more money in people's pockets.

This success has been a collective effort.

The government also recognises that financial and professional services are, to use a well-worn phrase, the jewel in the crown of the UK economy.

The headline figures speak for themselves; UK-based financial and related

professional services employ over 2 million people – some 7% of the UK working population.

Collectively, these firms contribute almost £200 billion to the UK economy each year and are responsible for almost 12% of the government's tax receipts.

What cannot be so easily measured is the global prestige that the industry brings to the UK.

I hardly need tell this audience that London is the acknowledged financial capital of the world, and that the Square Mile of the City offers a concentration of expertise found nowhere else on earth.

But I can. I believe, offer a more unique perspective, as Secretary of State.

Since DIT was founded in July 2016, the ministerial team and I have undertaken some 167 overseas visits, from our largest trading partners to some of the world's smallest economies.

In each and every one that we have visited, the reputation of the UK is one of financial reliability – a trustworthy source of investment and proficiency whose services are indispensable to any company, or nation, with global ambitions.

The importance of this industry to Britain's global profile simply cannot be overstated.

Clearly there are vast untapped markets awaiting UK financial firms, especially in emerging economies.

So what is my department doing to support financial services? How are we making sure that you have the full backing of government to maximise these global opportunities?

When you have an industry that contributes so much nationally and internationally, we must make sure that we help you to create a favourable environment.

That is why we work closely with key industry stakeholders, letting their experience inform and shape our approach.

For example, the London Stock Exchange provides input to our capital markets strategy.

And Lloyds of London are closely engaged on our insurance offering.

We also have initiatives such as the [FinTech Board](#) – a partnership between government, academia and industry which convenes quarterly to provide recommendations, ensuring that the UK fintech ecosystem remains competitive globally.

Such specialist knowledge not only helps DIT to design our policies, but also

to represent our financial institutions globally.

We combine a rigorous programme of export promotion with staff and local experts in post, to help UK financial and professional services firms explore, drive and benefit from the world's opportunities.

And our FDI programme works across government to ensure that the UK remains the top global destination for multinational banks and financial firms.

Our work has already seen significant results.

In the 2017/18 financial year, DIT claimed almost 11,000 export wins, totalling some 31.3 billion – well ahead of our £26 billion target.

The UK's remarkable export performance has seen the current account deficit narrow significantly, from over £113 billion in 2016, to under £84 billion last year.

More venture capital in tech came to London, one city, last year than the whole of Germany, France, Spain and Ireland combined.

DIT can also claim almost £24 billion of capital investment inflows, far ahead of our £14.4 billion target.

Despite these significant investment wins, last year saw the UK become a net investor abroad for the first time since 2011, as thousands more companies chose to explore global opportunities.

Clearly, our work is having a positive impact, and the UK has enjoyed a degree of economic and commercial success.

But we also acknowledge that there is more to do. Export and investment promotion are part of DIT's role.

My department is also designing a fully-independent UK trade policy, the first in over 4 decades.

We have an unprecedented opportunity to create a trading environment that delivers for our economy, our businesses and our citizens, and we expect it to deliver significant results.

More broadly, we want to recognise and promote the benefits of international commerce and make it easier for British businesses to sell overseas.

That is why it is the UK's ambition to become the world's foremost champion of free trade, using all of our economic and diplomatic influence to remove barriers, open up new markets, and spread prosperity to every corner of the globe.

A large part of this will involve multilateral engagement with our trading partners, through our membership of the WTO.

After all, the benefits that the rules-based international system have

bestowed on the world are plain for all to see, and the UK will be unequivocal in its support.

But while the system has many strengths, its provisions remain underequipped to effectively govern the global trade in services.

As a post-industrial economy, the UK recognises this vast untapped potential.

Often, there is broad agreement between nations on the need to liberalise this trade. As a result, barriers can often be removed more swiftly and easily when compared to traditional FTAs.

This action offers a clear path for mature economies to build stronger links with the markets of the developing world.

As global poverty continues to fall and demand for services expands across the world, it would be remiss for developed nations such as ours not to recognise this potential and lead the way on trade in services liberalisation.

The thriving economies of South and East Asia and, increasingly, Africa, are, and will become, even more important as their newfound prosperity drives demand for the goods and services of the developed countries prepared to interact with their markets.

By 2020 China's middle class is expected to number 600 million. And by 2060, Africa's will be 1.1 billion.

The IMF predicts that 90% of global growth in the coming years will be from outside of the EU.

Such a long-term shift, not just in global demographics, but in the rise of the collective wealth of developing countries, will determine where the opportunities of the future will be and where we must be too.

Markets are already out there for the best that Britain has to offer. This not only means our physical exports, from Scotch Whisky to luxury cars to computer processors, but for professional services too, from accountancy to law or education or life sciences or financial services.

These newly emergent middle classes will drive demand in those industries where Britain already excels.

These same arguments apply to digital trade

The digital economy is growing 32% faster than the wider economy and creating jobs 3 times more quickly.

This is particularly true of fintech – an area which I have briefly touched on already.

Fintech is a disruptor, of course. Yet it is also, undeniably, a driver of the future landscape of financial services.

Most importantly, it is an area where the UK stands head and shoulders above the competition. For us, fintech will enhance, rather than threaten, the established finance industry.

I believe it is one of the key factors that will underpin the City of London's position as the world's greatest financial centre.

Liberalising the trade in services is at the heart of DIT's offer to the finance industry.

Financial and professional services are already one of the most globalised parts of the UK economy. You are all well aware of the opportunities.

So what we propose is to make it easier for you to do business overseas, by helping to remove those barriers around the world that still exist.

We will work with old allies and new partners across the world, utilising the UK's economic and diplomatic strength to forge new and improved trading relationships.

It is why we have now begun talks with the government of Hong Kong about establishing an agreement on a free market in services.

Ultimately, our task is to create the right environment, internationally, for our trade in services to thrive.

Whatever one's view on the referendum result, it must be acknowledged that, outside the EU, this country will enjoy a new degree of economic agility.

An independent trade policy is also infinitely adaptable. We are now in the enviable position of being a major world economy that is also able to shape its regulatory and policy framework to meet new challenges and developments, whether this is a specific new technology, or the rise of an entire industry.

I accept that, for many, the familiar systems of the European Single Market were the preferred option.

But the referendum result will be implemented, and this country will embrace all the opportunities of the wider world.

Not only that but help shape the environment of the global economy itself, including by taking up an independent seat at the World Trade Organization.

But I want to be clear that this government will do everything we can to protect the City's global pre-eminence.

As I travel abroad, I consistently point out the depth of our professional infrastructure in financial services cannot be replicated anywhere else in Europe.

We want the financial services industry at our side, using your knowledge, expertise and experience to help shape this country's trade policy, and our place in the world.

The future is truly whatever we make it, together. There is no greater opportunity than that.

Thank you.