

Speech: International trade benefits us all and we should respect its rules

Good evening.

It is a pleasure to be here at the Centre for Policy Studies' China Conference, to have the opportunity to address not only British and Chinese businesses, but thought leaders and policy makers from across both countries.

The CPS I am pleased to say has returned to its rightful place as one of Britain's premier think tanks.

It is hard to overstate the impact that the rise of China has had on the landscape of international trade.

For 20 years or more, we have seen the vast expansion of Chinese industrial capacity, and the emergence of a new commercial superpower.

With this has come its workshops, which have transformed industries across the world, as well as bringing luxury goods within reach of a new generation of consumers.

A couple of years ago, a viral video appeared in the British media, showing a 57-storey skyscraper being erected in Changsha in just 19 days.

It seemed to perfectly encapsulate the drive and industry of China in the mind of the British public – it is a country with the economic and human resources to achieve the impossible.

For policymakers and those whose job it is to help shape the global trading environment, China's success is part of the wider story of the re-balancing of the global economy, with nations across Asia and the far East recording levels of growth far above that of the traditional advanced economies of the Western world, with a consequent shift in global influence.

The scale of this rebalancing can be seen in the fact that by 2030, China will have 220 cities containing more than a million people, while Europe will only 35.

As with any major reorientation there are challenges, but we must also recognise the benefits it bestows.

The expansion of global trade that the growth of Asia has ushered in has improved the lives of millions of citizens across the world and contributed to a new era of global opportunity.

This conference is about both celebrating the UK-China partnership and working to realise those opportunities, because the opportunities are vast.

Our trading relationship continues to grow, far outpacing global trends in

trade growth.

Indeed, the total trade between our 2 nations last year amounted to some £67.5 billion – a 13.8% increase from 2016.

It was a year that saw British companies and consumers buy more Chinese products than ever before, around £45 billion worth.

But, perhaps more significantly, there was a huge upsurge in demand for British goods and services in China, with exports recording a remarkable 32.2% increase from the previous year.

On every visit I have made to China I have been hugely impressed by how ‘made in Britain’ is taken as a sign of quality, in everything from clothes to cars.

Research from Barclays Corporate Banking found that 57% of Chinese consumers were willing to pay more for British products, because of their quality.

There was also growth in the export of UK services to China, an area in which we excel, but which has lagged behind our exports of goods.

Yet, as China’s economy matures, there will be vast opportunities for partnership and collaboration, as our Chinese partners seek the service skills for which the UK is renowned.

Skills from accountancy to financial services to architecture to life sciences to education. On education, it will surprise people to know that in 2016, our education exports were greater than total exports across the City of London’s insurance business.

So, there is good reason to believe that our trade with China will continue to grow.

Britain’s global reputation for world-class goods and services is alive and well in China, as elsewhere.

For this country, our ambition is to become the world’s leading champion of free trade, taking the opportunity provided by our exit from the European Union to develop an explicitly pro-trade independent policy framework.

We will work with our friends and allies across the world to liberalise international trade, working to remove barriers to commerce where we can, to help our businesses and ensure greater choice and cheaper prices for consumers.

In doing so we must also work within the rules-based international system, and we welcome the steps that China – the world’s 2nd largest economy – has taken to facilitate global trade.

We must also use this collaboration to encourage bodies such as the World Trade Organization (WTO) to operate more effectively in supporting the global economy, tackling issues of market entry, ownership restrictions,

transparency of ownership, overcapacity and intellectual property issues – especially forced technology transfer – through multilateral cooperation, using where necessary, the legal sanctions available.

China must play its part, opening its markets and ensuring compliance in all these areas.

Unless we maintain an open and liberal global trading system, reducing tariffs and non-tariff barriers, we will put at risk future jobs, growth and prosperity.

It is our firm belief that the path to prosperity lies not in insularity, but in embracing the opportunities of globalisation.

We see the value in building trade links across the world, and the potential for trade to spread prosperity to developing and developed nations alike.

The Belt and Road Initiative is among the most ambitious projects in the world today. It represents an unprecedented opportunity to promote greater trade, connectivity and integration across Asia, Europe and Africa.

Seldom has the world seen such an ambitious programme of investment, with such potential to stimulate global trade.

As one of the world's greatest exponents of free and open international trade, this is central to the United Kingdom's engagement with the initiative.

Infrastructure is vital for economic growth and development. It increases connectivity and trade, reduces costs, facilitates investment and improves access to public services like education and health.

Belt and Road plans in the transport sector, particularly, are ambitious and potentially transformative.

New airports, railways and ports will strengthen international links, and create new opportunities for trade and investment.

Some ventures, such as the new standard gauge railway line between Mombasa and Nairobi, or the Malacca Strait Bridge, are of particular interest to UK firms.

These large, complex projects hold great potential for the UK and China to collaborate.

Clearly the United Kingdom is a natural partner in this endeavour – a Western anchor for the BRI.

Our national competencies lend themselves to this project. The UK's biggest banks, financial institutions and professional services firms have a truly global reach.

They have formidable emerging markets expertise, as well as experience in

areas which are complementary to BRI, such as legal expertise, green finance and providing professional advisory services delivering international infrastructure projects.

All this makes UK firms the ideal partner to ensure projects along the Belt and Road routes are cost-effective, sustainable, and delivered to the highest possible standards physically, legally and ethically.

The UK-China relationship is strong, growing and delivering benefits for both countries.

The Initiative presents another opportunity for the UK and China to work closely together in third countries along the Belt and Road, as part of the UK-China Global Comprehensive Strategic Partnership.

While this relationship, and the Belt and Road Initiative, is clearly grounded in trade and commercial interests, the support that it will give to the broader UK-China relationship will be of lasting global benefit.

It will create more opportunities to work together with others on global health, peacekeeping, conflict prevention, and crisis response.

Above all else, the UK's involvement in the initiative shows that the UK is a natural business partner to China.

So if the United Kingdom is a natural partner for China's endeavours, what is my Department for International Trade doing to help businesses in both countries realise these opportunities?

China is 1 of the 21 nations with which we have set up trade working groups.

The UK-China group meets frequently at an official level, working to identify and remove non-tariff barriers to trade, while laying the groundwork for future trade agreements.

The work of this group was augmented earlier this year, during the Prime Minister's visit to China in February, when it was agreed that a joint trade and investment review would be conducted, providing more essential preparation for future negotiations.

I will visit for the fourth time this year, in August for the UK-China Joint Economic and Trade Committee, which will continue to further our joint commercial agenda.

And my Department for International Trade has appointed Richard Burn as the new Her Majesty's Trade Commissioner to China.

China is the only country in the world to have the distinction of its own dedicated UK Trade Commissioner. Richard will oversee my Department's trade and investment promotion activities across the country, bringing his extensive expertise to bear.

His work, and that of our DIT teams in UK missions across China, will help to

make the ambitions of our renewed trading partnership a reality.

And it is evidence, if more were needed, of just how seriously my department and this government are taking our relationship with China.

The Golden Era of UK-China relations is alive and well. In fact, it is only just beginning.

The 21st Century has often been referred to as 'China's Century', just as, in the same simplified economic terms, the 20th was America's and the 19th Britain's.

This may or may not be true. For real economic greatness can no longer be achieved alone.

In an era of globalisation where interdependence has never been greater, flexibility and agility and the ability to work with partners will be crucial to success.

And as China continues to astound the world with its economic progress, a newly Global Britain emerging from Brexit will be ready to build a constructive partnership, working towards greater global prosperity and stability, and rooted in a rules-based international system that works for all our citizens.

In the UK, China and beyond, our greatest barrier is the scale of our ambition.

Thank you.