

A New Transatlantic Vision

Remarks by Rt Hon. David Davis As prepared for delivery at the Washington International Trade Association November 16, 2018

I am extremely pleased to be here in the United States, a country that shares so much in common with my own; from our values and commitment to the rule of law, to the protection of property rights, to free peoples trading in free markets around the world.

I am sure you have heard many British ministers who have made such speeches for over one hundred years. But, ladies and gentlemen, we are in a great time of change. While my country has voted to leave the European Union and embrace a more global outlook, there is an existential battle going on in the world. It is a battle of ideas between competition-led capitalism and state-led capitalism, between competition and cronyism. The tide of prescriptive approaches to economic governance, as exemplified by countries like China, has washed across the shores of Europe. This battle is no less real than the wars that we have fought together before. Of course, our enemy is not Europe. Our enemy is poverty and the destruction of wealth.

I believe that wealth can be created or destroyed. I believe that it is more difficult to create than it is to destroy. And I believe that competition is the greatest force mankind may wield in wealth creation. It is competition - a free people competing based on the quality of their ideas - that is the greatest engine of wealth creation. It is competition that has lifted billions out of poverty, birthed innovative ideas and nurtured them into companies that employ hundreds of thousands of people. On the other hand, it is cronyism, protectionism and over-regulation that has destroyed wealth and pushed people deeper and deeper into poverty.

The UK and US have always promoted competition on the merits, that great aspirational principle - the heart of the American dream, that your children can have a life better than yours. I am proud to stand here in the country that has put into practice so much of British philosophy. From Adam Smith and John Locke to David Ricardo; from Magna Carta to the industrial revolution; you have taken these ideas, forged in the fires of competition, and made them reality. You have been that shining example for the rest of the world. I hope you will permit me to say that we played some role in your success.

But now we are joined in a mutual struggle - a struggle to show the world that where competition is weakened or crushed, where government replaces what the private sector can do, it is the people who lose out. The poorest amongst us are the ones who are hurt most of all.

The battlefield for this struggle is set. If the US and UK can agree a free trade agreement that pulls the UK out of the EU's regulatory orbit, then this will be enormously beneficial to America's farmers, businesses and consumers. Such an agreement is also in British interest. We face the same threat from Chinese market distortions as the US does. The Chinese have created an over capacity of supply in the steel sector. Our inability to deal with these distortions has caused people to rightly question the whole concept of trade liberalisation and its capacity to lift people out of poverty and create wealth. Hence, we are embarked on a program of ever-greater regulation and an ever weakened private sector. We must reverse this process, and we can.

Our new, independent trade policy will be built on four fundamental pillars which reflect what we can do unilaterally, bilaterally, plurilaterally and in the WTO. Part of the bilateral agenda is an agreement between the UK and US while we are also negotiating an agreement between the EU and UK. You might say, "we will wait and see what your agreement is with the EU before we proceed with you." That would seem logical. I know that the US understands that we will be able to sign deals in the implementation period which will begin when we leave the EU in March of next year. But I am here to

say that you should not wait for our negotiation with the EU to conclude and then sign a deal with us. If our negotiations with you and the EU are not concurrent, we will be forced, again, into the regulatory orbit of the EU. This will result in no serious trade deal being struck between us. If that occurs, the US will lose a significant opportunity.

Let me explain why the US-UK deal is so important to both the UK and the US.

First, you have said clearly in trade fora that you are not protectionist, and I don't believe that you are. I believe the US has been one of the strongest forces for liberalised trade on the planet. A deal with the UK is a deal with a country at a similar socio-economic level. It would mean no race to the bottom or offshored US jobs. It would mean a balanced trade relationship between partners – we are the ideal candidate for your bilateral agenda.

Second, moving a significant European power from the EU's prescriptive rule-book approach to a more outcome, effects-based system - one based on our common approaches to law and economics - would be a significant win. Your industries have long complained about the EU's regulatory system, standard-setting practices and its ferocious application of the precautionary principle. These things have held back innovation for us in the UK, and we must now break free of it.

Third, we are both affected by the anti-competitive market distortions in China and other places, and by the actions of state-owned enterprises. We can do in our agreement what had been the hope in the TTIP – a 21st century set of disciplines that could be applied to third parties. We do wish you well in your negotiations with the EU. You must, however, determine whether you think the deal you wish to negotiate – one that lessens distortions and eliminates red tape and unnecessary bureaucracy - is easier with them than it would be with us. The fact that we will both be negotiating with them at the same time will help us both to reach a better understanding with the EU.

Fourth, we have shared geo-strategic and geo-political interests in sectors like defense, financial services and pharmaceuticals where our industries form part of an integrated global whole. Broadening that market and becoming a rule setter for the world, not a rule taker, will be most important. Together, we can push back on the tide that threatens to swamp the wealth creation efforts that have lifted so many out of poverty in the post war period.

We have a unique opportunity to use our partnership to promote wealth creation, to lift people around the world out of poverty and to make real a world of opportunity and hope. For too long, the UK has languished, unable to play the full partner you have needed to make this case around the world. No longer. We are ready to take up our sword, and fight for what is right, but we need your help to emerge as a full WTO member and partner, unhindered in our pursuit of our joint interests. We need your help to ensure we break free of too close a regulatory orbit with the EU.

At which point I have to update you on developments in the UK. The British people voted to take back control of money, borders and laws in the 2016 Referendum. The proposed deal between the UK and EU does not deliver that and therefore does not deliver the Brexit that 17.4 million voted for.

At the moment it is not a deal it is a proposal and I will do everything in my power to stop it passing through Parliament. I have a successful track record of working across Party lines on issues of principle. This will be another.

I'm afraid a Customs Union and regulatory alignment and non-regression clauses is vassalage. There is no other description possible because the UK will be subject to EU laws with no democratic say. No self-respecting state would accept this.

The very constitutional integrity of our country is at stake. If Northern Ireland is to have a separate regulatory regime then there will be some form of Irish Sea border. The Prime Minister has said that no

UK Prime Minister could vote for that. This is bad for the Union and bad for Unionists in Ireland and Scotland.

In the Conservative 2017 General Election Manifesto we promised: “As we leave the European Union, we will no longer be members of the customs union.” Yet now we propose to do that and break our Manifesto commitment to the British people.

A common rulebook overseen by the European Court of Justice, a facilitated customs arrangement breaking the Conservative Party’s 2017 manifesto pledge and a backstop that threatens the constitutional integrity of the UK are beyond the pale.

The UK Government now appears to be on the verge of committing the UK to a permanent customs union backstop from which it cannot escape. The backstop would lock the UK into a relationship with the EU, from which the UK could not escape without the permission of the EU.

The message I want to give you today is that a binary choice of accepting this unacceptable proposed deal with the EU or dropping out of the EU with no deal is a false choice. There are alternatives available.

The issues relating to the Irish border can be solved by political goodwill and technical solutions. Several specialist research papers offer a way forward as does the Government’s own Max Fac Paper published in August 2017. Michel Barnier, the EU’s negotiator, has spoken of technical solutions to creating an invisible border as he argued for one between Great Britain and Northern Ireland.

By rejecting the purgatory of the backstop, we can free the UK to make trade deals with the rest of the world. Leaders of major economies like the USA, Australia, Singapore, India and New Zealand are on record with their commitment to trade with the UK.

We want to avoid a disorderly Brexit. I am convinced a Canada+++ deal can be negotiated if the UK Government rethinks and resets. There is still enough time and we know, because both Michel Barnier and Donald Tusk have confirmed it, that the EU wants to agree an unprecedented free trade arrangement with the UK. The EU understand trade deals and will be willing to use the “best in class” aspects of previous trade deals such as those concluded by the EU with Japan and Canada. I know from my time as Brexit Secretary that the legal text for such a deal has largely been written.

The Prime Minister rightly stated that no deal is better than a bad deal. We should remain calm and be prepared to exit with a deal on world trade terms if necessary. Such an exit is feasible and over half the UK’s global trade is already conducted on world trade terms. It would not be the optimal result but to be genuinely prepared for such an eventuality strengthens our hand. People should not be swayed by Project Fear. The WTO protects trade and over 165 countries trade on such terms including the EU and USA. We can then use time set aside for implementation to negotiate a Canada style deal with the EU.

This is the most important issue facing our country in a generation. Even if the Government continues on its present mistaken path and a Withdrawal Agreement is voted down then the EU Withdrawal Act gives the Prime Minister until 21st January 2019 to bring a Government statement to Commons and table a neutral motion.

It is now both an international treaty obligation and UK domestic law that the UK will leave the EU on 29th March. So as Parliamentarians all have a duty to make sure we get the best deal. We should remember Brexit cannot be stopped other than by Parliament passing new primary legislation. It is now too late for a Second Referendum before 29th March 2019.

If this deal is somehow railroaded through Parliament – and I’m confident it won’t - a whole raft of irreversible consequences will flow from it.

This will risk the breakup of the United Kingdom, not just isolating Northern Ireland, but also undermining the Unionist cause in Scotland.

The so-called backstop will not actually be a backstop at all, but a foundation for EU ambition to constrain our opportunities and limit our competitiveness. In Brussels they admit this privately.

This proposed deal will contrive to make the Customs Union inescapable for ever and effectively trap the UK to perpetual domination from Brussels. It is a bad deal.

The supposed negotiation over the future economic partnership will be deliberately slowed down to take years. The UK's leverage of the £39 billion payment will be squandered.

The British people voted to take back control over borders, laws and money. If this deal is agreed it be seen as a betrayal of the Referendum result. It also breaks firm pledges given in the 2017 Conservative manifesto. The British people will lose faith in their political leadership, and the democratic consequences will dire.

It will be a sad day indeed if the Cabinet fail to recognise their responsibility today, and flinch from taking control of this process and demanding proper delivery on the Referendum.

Parliament will reject this deal. We will then be able to demand a proper free trade deal.

Then we can seize the opportunities for forging even closer relations between our two great nations.

In the battle for the heart of the world's operating system – the global regulatory system, if you will – the UK has become the centre of the battlefield.

If you act now, with determination and the entrepreneurial spirit that has characterised your nation, you can take advantage of this unique opportunity.

You can act, in this unique moment, to have the world's fifth largest economy and second biggest exporter of services push hard for competition-based trade policy alongside you.

Together, as trade partners, we can turn back the tide of anti-competitive laws and regulation around the world and create wealth where previously it has been destroyed.