

Full Script of the Ambassador's speech at his meeting with Japanese investors 29 June 2016

Thank you all very much for taking the time to attend this event today. The large number of you who have come here today, at short notice, demonstrates for me your close partnership with, as well as your fantastic support for the UK.

Last Friday the United Kingdom voted in a referendum to leave the European Union after 43 years. Over 33 million people voted, in what was perhaps the biggest democratic exercise in the UK's history.

In his statement last Friday, 24 June, the Prime Minister announced his decision to resign. The timetable for choosing the new Prime Minister is now clear. Candidates for leader of the Conservative Party have between this evening and tomorrow lunchtime to declare themselves. Conservative MPs will select the top two candidates by 22 July. Then all members of the Conservative Party across the country – 150,000 of them – will select the next party leader. That result will be declared by 9 September. So we will have a change of Prime Minister.

The new Prime Minister will lead the negotiations with the EU, including the decision about when to trigger Article 50 which will start the formal and legal process of leaving the EU.

The Cabinet met on Monday 27 June and the Chancellor and the Governor of the Bank of England made statements about the steps they are taking to reassure the financial markets.

I know that many of you were hoping for a different outcome to the referendum and that many of you provided strong support to the Government-led 'remain' campaign. I want to thank you for your support.

But I also know that Japanese companies have a strong reputation for excellence in long term strategic planning. I believe you will take a medium-to-long term view of the UK as a location for your business post-referendum, rather than a short term perspective. And I am sure that you will make a careful assessment of the situation.

Volatility in the last few days on the currency and stock markets as a result of the referendum result is beginning to calm down. I am convinced that, in the medium term, the UK will remain an extremely attractive location for foreign investment.

Let's remind ourselves why:

- The **UK economy** is the 5th largest in the world, our economic fundamentals remain strong, unemployment is at the lowest rate for over 10 years and employment is at a record high. The capital requirements for banks are ten times what they were. The budget deficit has been brought down from 11% of national income immediately after the financial crisis, and is forecast to be below 3% this year.
- The UK offers one of the most **flexible labour markets** in the world. It is the fastest growing major European economy, and is highly valued for retaining and attracting global talent.
- Businesses benefit from a **highly skilled workforce** with the second highest proportion of adults with tertiary education in Western Europe.

- The UK has **low tax rates**, with the joint lowest corporation tax rate in the G20 – currently 20%, decreasing to 17% by 2020. The UK tax system was rated the most business friendly of the ten largest economies in Europe and we have the lowest social security contributions among the EU's five largest economies.
- The UK has a **world-leading R&D climate** with 4 of the world's 8 top-ranked universities and we have produced 80 Nobel Prize winners in natural and physical sciences.
- We have the highest research productivity of the top research nations and a fantastically strong and diverse higher education sector with over 170 higher education institutions. I know many of your businesses are engaged in R&D collaboration with our universities and research institutes.
- We have many **strong traditional sectors** such as financial services including the world's Number One financial centre, the City of London, a strong automotive sector where car production is at a record high (largely thanks to Japanese car makers), life sciences and defence.
- UK innovation in **new and emerging sectors** is also advanced. The UK has the fastest growing financial technology sector in the world, and is involved in cutting edge innovation in areas ranging from autonomous vehicles to cyber security. It is also a breeding ground for entrepreneurs with more than 420,000 new businesses set up in 2015.

Free trade with the single market will continue to be one of the most important priorities for the Government going forward. It is now the UK Government's responsibility to make sure that all of these key selling points of the UK are protected as we decide on the shape of our relationship with the EU moving forwards. And where possible not only protected but strengthened.

I realise that is very hard after months of looking at one side of the argument to suddenly change view point, and consider the benefits of leaving the EU.

Of course I can't say this for certain yet but regulation is one area where leaving the EU could work in favour of business. The UK has long been committed to reducing regulation and we will now have the freedom to pursue this agenda more vigorously. So this decision could well represent an opportunity for companies like yours represented here today.

The British Prime Minister, Foreign Minister and Business and Innovation Minister are on the record this week arguing to maintain full access to the Single Market, and indicating a willingness to compromise in order to achieve that.

I have two requests of those of you here today.

First, concrete evidence for us, as we prepare for the exit negotiations, of the elements of the single market that matter to you most, and that we should fight hardest to retain. What are the rules and regulations that have the most impact on your business? For example, the passporting rights for financial companies; tariffs on manufacturing exports; reduction in red tape for your goods as you move them from Britain to and through EU countries?

And second, specific advice on what deregulation you would like to see in Britain. Whatever new government is in place will want significantly to reduce red tape on business in the UK. What

bureaucracy most gets in the way of you making a profit in the UK? Whatever the size of your business, such deregulation can bring great benefits.

There is an opportunity, as we leave the EU, for the UK to offer even better conditions than before for foreign investment into the UK.

Let me also say a few words about what this could mean at the political level. The UK and Japan enjoy extremely close relations. I had excellent meetings on Monday 27 June with Minister Kishida, and yesterday, 28 June with Deputy Prime Minister Aso.

The relationship between the UK and Japan remains both broad and deep. We share values; your G7 leadership demonstrated our common commitment to democracy and the rule of law.

Britain's vote to leave the EU, could even further strengthen our political and commercial relationship with Japan.

Having said all this I do not, in any way, want to make light of your concerns about Britain leaving the EU. As the representatives of the British government, we want to hear your specific concerns and we want to work with you to minimise and where possible eliminate any issues. I hope this meeting can be the start of a conversation between the British Government and your businesses, so that we can work together to make the UK an even better place for your businesses to invest.

In summary, maintaining a strong economy and a positive, business friendly environment for foreign investment will certainly be one of our most important priorities as the British Government works through the impact of the vote.

The UK was the number one choice last year for foreign direct investment into Europe, and Japan was the second largest source of foreign direct investment into the United Kingdom. To mirror the words of the Chancellor, George Osborne, the British economy is fundamentally strong and competitive. We are open for business.

Let's build on this strength together. While we don't have all the answers right now, we will keep in touch with your companies as things develop in the months ahead. Above all, I want to understand as much as possible about your specific concerns. I hope that together we can build an even stronger environment for business.