

Theresa May's speech at the World Economic Forum in Davos on 19th.January 2017

A week ago, I spoke at the Lord Mayor's Banquet at the Guildhall and set out Britain's historic global opportunity – to lead the world in understanding the extent to which some people feel left behind by the forces of capitalism, and embracing a new approach that ensures everyone shares in the benefits of economic growth.

Today, I want to talk about how – by working together – we can seize that opportunity and deliver the change that people want.

But it is not just an opportunity. It is a responsibility too.

For we believe in free markets. They are the means by which we spread opportunity and lift people out of poverty.

We believe in capitalism - the means by which we drive economic growth, putting people into work to provide for their families.

And we believe in business – the entrepreneurs and the innovators who employ millions of people up and down this country – the basis for our prosperity.

The Conservative Party – and the Government I lead – will always believe in these things.

But I am here today not just to reaffirm these core beliefs, but to say that - if this is what we value - we need to be prepared to adapt and change.

For if we support free markets, value capitalism and back business – and we do – we must do everything we can to keep faith with them.

And with not enough people feeling that they share in the wealth created by capitalism - and with the recent behaviour of a small minority of businesses and business leaders undermining the reputation of the corporate world as a whole – the way to keep that faith is to embrace reform.

To do things differently. To recognise that some people – particularly those on modest to low incomes – people worried about the future of their children and their grandchildren – see these forces working well for a privileged few, but not always for them.

So today, I want to ask you to join me in shaping this new approach and seizing this opportunity.

I want to ask you to work with me to show that the forces of capitalism, globalisation and free trade offer the best hope to the problems facing so many people in our country.

I want you to help me show those who feel let down, left behind or marginalised that we can respond. We can change.

And that together, we can meet this great national moment with a great national effort to seize the opportunities ahead and build a stronger, fairer Britain – a country that works for everyone.

A New Approach

For this is a true national moment. The decision of the British people on 23rd June gives us a once-in-a-generation chance to shape a new future for our nation: the chance to build a stronger, fairer country.

That's the kind of change people voted for – not just to leave the European Union, but to change the way our country works – and the people for whom it works – forever.

And I am determined that we will deliver the change they need.

So we will do things differently. Not carrying on with 'business as usual', but opening our minds to new ways of thinking – those of us in government, and those in business too.

For government, it means not just stepping back and leaving you to get on with the job, but stepping up to a new, active role that backs British business and

ensures more people in all corners of the country share in the benefits of your success.

For business, it means doing more to spread those benefits around the country, playing by the same rules as everyone else when it comes to tax and behaviour, and investing in Britain for the long-term.

All things that I know the vast majority of businesses do already. Not just by creating jobs, supporting smaller businesses, training and developing your people, but also by working to give something back to communities and supporting the next generation.

I have no doubt at all about the vital role business plays - not just in the economic life of our nation, but in our society too. But as Prime Minister, I want to support you to do even more.

That is why, when the Chancellor delivers the Government's Autumn Statement on Wednesday, he will lay out an agenda that is ambitious for business and ambitious for Britain.

He will commit to providing a strong and stable foundation for our economy: continuing the task of bringing the deficit down and getting our debt falling so that we can live within our means once again. He will build on the actions that our independent Bank of England has already taken to support our economy. And he will do more to boost Britain's long-term economic success, setting out how we will take the big decisions we need to invest in our nation's infrastructure so that we can get the country – and business – moving.

And he will show how we will do everything possible to make the UK outside the EU the most attractive place for businesses to grow and invest.

Leaving the European Union

I know that leaving the European Union creates uncertainty for business. I know that some are unsure about the road ahead or what your future operating environment will look like. And there will certainly be challenges - a negotiation like the one on which we are about to embark cannot be done quickly, or

without give and take on both sides.

But there are opportunities too.

Opportunities to get out into the world and do new business with old allies and new partners. To use the freedoms that come from negotiating with partners directly, to be flexible, to set our own rules and forge new and dynamic trading agreements that work for the whole UK. Opportunities to become the true global champion of free trade.

And opportunities to demonstrate how a free, flexible, ambitious country like Britain can trade freely with others according to what's in their own best interests and those of their people.

This is our aim and our ambition. And I am ambitious for Britain.

I believe that if we approach the difficult negotiations to come in the right way, with the right spirit, we can strike a deal that's right for Britain and right for the rest of Europe too.

And the right approach is not to rush ahead without doing the ground work, but to take the time to get our negotiating position clear before we proceed. It is not to seek to replicate the deal that any other country has, but to craft a new arrangement that's right for us and right for Europe – recognising that a strong EU is good for Britain. It's not to provide a running commentary on every twist and turn, but to acknowledge that businesses and others need some clarity - so where I can set out our plans without prejudicing the negotiation to come I will.

That's why I have been able to set out the timetable for triggering Article 50 - before the end of March next year. Why I want an early agreement on the status of UK nationals in Europe and EU nationals here, so that you and they can plan with certainty. And why we have been engaging heavily with businesses over the past few months to understand your priorities and concerns, and why we will continue to do so.

A Modern Industrial Strategy

But while the negotiation to come will be critical, we must not lose sight of the wider message people sent on 23rd June.

And so, we must use this opportunity to build a more prosperous, more equal country – where prosperity is shared and there is genuine opportunity for all.

We have already received massive votes of confidence in Britain's long-term future from some of the world's most innovative companies. Nissan's decision to build two next generation models at its plant in the North East, securing 7,000 jobs. A record £24 billion investment from Softbank in Britain's future; a £500 million expansion and 3,000 jobs from Jaguar Land Rover; a £200 million investment from Honda, £275 million from Glaxo Smith Kline; investment in a new headquarters from Apple; an estimated £1 billion investment and 3,000 new jobs from Google; and this morning Facebook have announced a 50% increase in their workforce in the UK by the end of 2017.

Yet there is more that government can do – not just to encourage businesses to invest in Britain, but to ensure those investments benefit people in every corner of the country.

That is why one of my first actions as Prime Minister was to establish a new department with specific responsibility for developing a modern Industrial Strategy.

A strategy that will back Britain's strategic strengths and tackle our underlying weaknesses.

Our strengths are clear.

We are an open, competitive, trading economy. We compete with the best in autos, aerospace and advanced engineering. We are breaking new ground in life sciences and new fields like robotics, artificial intelligence, and quantum computing. We are leaders in global professional services from architecture to accountancy from law to consulting. We have world beating universities and the highest research productivity of the top research nations. We have a vibrant creative industry, producing an extraordinary level of talent recognised and respected the world over. And of course we are leaders in global finance – not

just banking, but investment management and insurance too.

But as we celebrate these strengths, so we should also be frank about some of our weaknesses.

We have more Nobel Laureates than any country outside the United States, but all too often great ideas developed here end up being commercialised elsewhere.

We are home to one of the world's financial capitals, but too frequently fast-growing firms can't get the patient long-term capital investment they require, and have to sell-out to overseas investors to access the finance they need.

We have truly world class sectors and firms, but overall business and government investment remains lower than our competitors.

We have outstanding firms and clusters in every part of this country, but taken as a whole our economic success is still too unbalanced and focused on London and the South-East.

We have gold-standard universities, but we are not strong enough in STEM subjects, and our technical education isn't good enough.

And while the UK's recovery since the financial crisis has been one of the strongest in the G7, our productivity is still too low. But if we want to increase our overall prosperity, if we want more people to share in that prosperity, if we want bigger real wages for people, if we want more opportunities for young people to get on, we have to improve the productivity of our economy.

So these are the long-term, structural challenges the Industrial Strategy aims to address. It is not about propping up failing industries or picking winners, but creating the conditions where winners can emerge and grow. It is about backing those winners all the way to encourage them to invest in the long-term future of Britain. And about delivering jobs and economic growth to every community and corner of the country.

That is the ambition – and we need your help to put it into practice. We cannot create a proper industrial strategy without listening to industry and we want to

work with you and shape it together. So we will publish a Green Paper before the end of the year to seek your views before issuing a White Paper early in the new year.

Research & Development

But today I want to sketch out some of the first steps and spell out some specific things we will do to turn our ambition into reality.

We are ambitious for Britain to become the global go-to place for scientists, innovators and tech investors. We will continue to welcome the brightest and the best – but can only do so by bringing immigration down to sustainable levels overall so we maintain public faith in the system.

Today, Britain has firms and researchers leading in some of the most exciting fields of human discovery. We need to back them and turn research strengths into commercial success.

That means not only investing more in research and development, but ensuring we invest that money wisely. Supporting technologies and sectors that have the potential to deliver long-term benefits for Britain.

In the last Parliament, despite the deficit we inherited, we protected the basic science budget, even when that meant we had to take difficult decisions to control other spending.

But our competitors aren't standing still. They are investing heavily in research and development.

So in the Autumn Statement on Wednesday, we will commit to substantial real terms increases in government investment in R&D - investing an extra £2 billion a year by the end of this Parliament to help put post-Brexit Britain at the cutting edge of science and tech.

A new Industrial Strategy Challenge Fund will direct some of that investment to scientific research and the development of a number of priority technologies in

particular, helping to address Britain's historic weakness on commercialisation and turning our world-leading research into long-term success.

And we will also review the support we give innovative firms through the tax system.

Since 2010 we have made the Research and Development Credit more generous and easier to use – and support has risen from £1bn to almost £2.5 billion a year.

Now we want to go further, and look at how we can make our support even more effective – because my aim is not simply for the UK to have the lowest corporate tax rate in the G20, but also a tax system that is profoundly pro-innovation.

Start-ups to Scale-ups

This is a comprehensive package designed to set us on the path to becoming one of the best places for research & development in the world.

But there is no point having great ideas, great products, great start ups, if you can't get the investment you need to grow your business here. For while the UK ranks 3rd in the OECD for the number of start-ups we create, we are only 13th for the number that go-on to become scale-up businesses.

I want us to turn our bright start-ups into successful scale-ups by backing them for the long-term. To do this we need to better understand where the barriers are, so I am pleased to announce we will launch a new Patient Capital Review - led by the Treasury - that will examine how we can break down the obstacles to getting long-term investment into innovative firms. The review will be supported by a panel of experts, and I am pleased to announce that Sir Damon Buffini has agreed to chair that panel.

So we are backing the innovators, and backing the long-term investors.

But government can also step up to help drive innovative procurement, particularly from small businesses – just as the United States does so effectively. There, strategic use of government procurement not only spurs innovation in the

public sector, it gives new firms a foot in the door. In fact, many of the technologies in your smartphone, from touchscreens to voice recognition, were originally commissioned, not by Apple or Microsoft, but by the US government.

So I can announce today that we will review our Small Business Research Initiative and look at how we can increase its impact and give more innovators their first break. And that Cambridge entrepreneur David Connell will lead the review and report back next year.

Our modern Industrial Strategy will be ambitious for business and ambitious for Britain.

It is a new way of thinking for government – a new approach. It is about government stepping up, not stepping back, building on our strengths, and helping Britain overcome the long-standing challenges in our economy that have held us back for too long.

It is about making the most of the historic opportunity we now have to signal an important, determined change.

Reforming Corporate Governance

But just as government needs to change its approach, so business needs to do so too.

For we all know that in recent years the reputation of business as a whole has been bruised. Trust in business runs at just 35% among those in the lowest income brackets.

The behaviour of a limited few has damaged the reputation of the many. And fair or not, it is clear that something has to change.

For when a small minority of businesses and business figures appear to game the system and work to a different set of rules, we have to recognise that the social contract between business and society fails – and the reputation of business as a whole is undermined.

So just as government must open its mind to a new approach, so the business

community must too.

That is why we will shortly publish our plans to reform corporate governance, including executive pay and accountability to shareholders, and proposals to ensure the voice of employees is heard in the Boardroom.

The UK rightly has a strong reputation for corporate governance – the Cadbury, Greenbury and other reforms, built on the strong foundations of the Companies Act and the Corporate Governance Code, have made the UK a prime location for listing and headquartering.

But we can't stand still – we must continue to make improvements where these result in better companies and improved confidence in business on the part of investors and the public.

Much can be done by voluntary improvements in practice – in the representation of women on company Boards and in senior positions for example, or in broadening diversity. But where we need to go further we will.

So there will be a Green Paper later this autumn that addresses executive pay and accountability to shareholders, and how we can ensure the employee voice is heard in the Boardroom.

This will be a genuine consultation – we want to work with the grain of business and to draw from what works. But it will also be a consultation that will deliver results.

And let me be clear about some important points.

First, while it is important that the voices of workers and consumers should be represented, I can categorically tell you that this is not about mandating works councils, or the direct appointment of workers or trade union representatives on Boards.

Some companies may find that these models work best for them – but there are other routes that use existing Board structures, complemented or supplemented by advisory councils or panels, to ensure all those with a stake in the company

are properly represented. It will be a question of finding the model that works.

Second, this is not about creating German-style binary boards which separate the running of the company from the inputs of shareholders, employees, customers or suppliers. Our Unitary Board system has served us well and will continue to do so.

But it is about establishing the best corporate governance of any major economy, ensuring employees' voices are properly represented in Board deliberations, and that business maintains and – where necessary – regains the trust of the public.

There is nothing anti-business about this agenda. Better governance will help companies to take better decisions, for their own long-term benefit and that of the economy overall.

So this is an important task. We will work with you to achieve it, and I know you will rise to the challenge.

Conclusion

This amounts to a big and ambitious agenda: but the times we are living through demand nothing less.

For change is in the air – and when people demand change it is the job of politicians to respond.

But we cannot do so alone.

You who employ the people and generate the prosperity on which our country depends, must be part of this endeavour. You who are so often on the frontline of our engagement with the world - whose actions so often project our values in the world - must also play your part.

By joining us to shape this new approach, helping us put it into practice, and embracing the change we need.

Investing in Britain for the long-term, generating wealth and opportunity in every corner of the country, and reforming corporate governance to call out the bad in order to promote the good.

So let us join together and show that we can rise to meet this moment. Let us respond to the public's demand for change.

Let us restore their faith and prove that capitalism can deliver them a better future.

And let us build a stronger, fairer Britain together.