

The EU's protectionism boosts the rush to onshore UK activities

An article in the Sunday Telegraph argued this week-end that the most important achievement of Ursula von der Leyen in her first year as Head of the EU Commission has been to force the creation of a UK vaccine industry. In its usual pro EU way the officials of the UK government had been happy to organise vaccine supply and purchasing on a cross EU Basis. The increasingly threatening noises of the EU about vaccine distribution allied to Ministers grasping the need to control production and deliveries here at home in default of free trade with the EU changed this approach. It led to deals where a business agreed to make and pack in the UK to get the launch aid and the orders they needed to make a viable business. That has to become a more generally accepted model in the many other areas where the EU is out to take our business.

I have long been arguing that the UK needs to use its extensive public purchasing intelligently to promote competitive production and supply here at home on a wider front. It's what the French and Germans have been doing for years. You do not see their Ministers and business leaders travelling around in top end cars made in the UK, or pressing for pipes and interconnectors to buy in UK energy. The economic nationalism of the leading continental countries have long been assisted by EU rules they help design and enact. In sector after sector where the UK had a good position prior to joining the EEC in 1972 we have seen loss of market share and increasing dependence on EU imports as result of their protectionist and nationalist strategies. They have been delivered through a willing EU that has its own reasons to make the UK more dependent on continental goods. We ended up importing energy whilst we are an energy rich country that always used to supply its own needs for coal, electricity and more recently oil. We were largely self sufficient in temperate foods, only to see heavily promoted and subsidised supplies from the Netherlands and elsewhere on the continent displace a significant amount of home production. The EU sent grants to get the UK to grub up orchards at home to rely on imported fruit. Falling short of the provocative idea of integrating defence, the EU moved to encourage and require plenty of joint procurement and the provision of weapons with complex multi country supply chains, limiting our scope to defend ourselves and removing important jobs from home so the wider EU could benefit from the UK's larger defence budget.

The USA under its new President who adopts a lot of socialist proposals is keen to build Fortress America. The US is not exporting vaccines all the time they need them at home, and is busily building its own expanded vaccine industry on the back of public sector orders. The supply chain initiative I have commented on here is designed to onshore much more industry to the USA after they too have drifted to reliance on huge imports. Biden will use trade policy, tariffs, competition policy, public procurement and public subsidy to recreate more industry and technology in the USA.

Government directed business is not usually a good idea. Nationalised

industries usually fall behind in innovation and competitiveness and come to rely more and more on state power to enforce their will and perpetuate an out of date business model. They end up sacking workers and raising prices to pay for inefficiencies. Biden has to avoid taking the USA down the path of too much government intervention at a time when that is the preferred route of the Chinese and of the EU.

The UK now needs to use its potential freedoms out of the EU to find that magic spot which allows the state to buy, source and assist in a positive way whilst ensuring most is done by competitive private sector businesses striving for those contracts and grants by innovating, changing and controlling costs well. The state will of course continue to provide the Free NHS and free schooling.

With advanced country governments spending around half their national incomes you cannot ignore the impact of the state on economic activity. Only if you make intelligent use of that spending power without seeking to control everything can you hope to grow faster. You also need to be aware of just how rigged markets now are in so many important places in the world. The EU above all places regulation and EU champions well above free trade or competitive forces. The winners in terms of greater prosperity and faster growth will be those who allow a larger private sector to survive and thrive, without being naive about the nature of some international methods to gain unfair advantage.

Locally Sourced Food

I recently wrote to the main supermarkets about customers being able to buy more locally and UK sourced food. I have received the enclosed responses from Morrisons, Tesco and Asda which they said I could share with you. I am happy to reproduce the other replies if they wish when I receive them. I encourage any UK based food retailer to do a good job selling and promoting UK produced food. They are in alphabetical order. Tesco gave the most rapid response.

Asda

“Thank you for your email regarding British sourcing. As a company established by a group of

Yorkshire dairy farmers, this is an important issue for Asda.

We keep our fish sourcing under review, but due to the need of having to maintain a

sustainable supply, this does sometimes come from overseas. However, we do support small

suppliers, such as Downies of Whitehills Cullen Skink and ScottyBrand Smoked Salmon.

Some of our seafood is UK sourced, including Atlantic Herring, Mackerel and Edible Crab.

We have a dedicated local sourcing team, who enable small suppliers to supply Asda stores, including the facility to be stocked in a single local store. This covers a wide range of different products.

As you may be aware, Asda has recently had a change in ownership. With this change, we have pledged to source 100% British beef, 100% British dairy and increase our sourcing of bread wheat to 100% British.

You may be interested in the results of a recent customer insight survey we carried out, where we asked about attitudes to buying British. This showed a divide in attitudes depending on age, with 56% of 18-34 year old customers saying it is important, rising to 81% of 55+. The overall importance of buying British was listed as the eighth biggest issue for our customers, with them viewing recycling, reducing food waste and tackling antisocial behaviour as their biggest issues.

While this does show differing attitudes towards British sourcing, we are keen to do all we can to support small British suppliers throughout our stores, and constantly keep sourcing under review."

(their survey showed 76% thought buying British was important.)

Morrisons

"Morrisons is committed to buying British and giving our customers a great – and growing – choice of locally sourced food and drink.

We are the nation's largest fresh food manufacturer and operate our own abattoirs, food manufacturing sites, and produce pack houses. We have recently added to this capacity with the acquisition earlier this month of Falfish, a family-owned processor of sustainably sourced seafood based in Cornwall.

For customers, this acquisition will mean further improvements to the range, quality and availability of fresh fish and shellfish at our in-store counters. Following the deal over 80% of Morrisons fish and shellfish – both in our 497 stores and in our online business – will come from Morrisons wholly-owned seafood operations (Morrisons already owns two seafood processing sites close to the docks in Grimsby).

This deal is a real commitment to the South West fishing industry which we believe will benefit the local economy as well as offering our customers an improved range of freshly caught fish and an investment in our in-store fishmongers.

You also asked about local produce. One of our core priorities is 'local integration and serving the community' and we have made positive strides on this in recent years. Prior to the pandemic, our buyers were touring the nation and hosting 'local foodmaker' events which offered local producers the opportunity to showcase their products. Through our 'local foodmaker' programme we have now surpassed a key milestone of 1,000 new, local products (from 220 local suppliers) which we have sourced from 37 events held across Britain in the last few years. This programme continues although with the onset of Covid we have been forced to hold events online.

Many local food producers are continuing to expand their geographic reach through their relationship with Morrisons and more of our stores have local products on offer. As an example, our store at Lake, Isle of Wight, is one of our most integrated stores so far, stocking locally supplied milk, cheese, cream, coffee, eggs, meat, tomatoes, biscuits and garlic."

Tesco

"At Tesco, our ambition is to be British agriculture's most trusted partner, helping to secure a successful future for farming, food and fisheries.

As part of our commitment to a competitive and productive UK agriculture sector, we've set up a number of Tesco Sustainable Farming Groups (TSFGs). The Groups, led by our suppliers, farmers and Tesco colleagues, are organised by sector and are central to our work of building long-term relationships with our farmers. We're also supporting new entrants and young farmers through our Future Farming Foundation, which each year provides 50 young farmers from across the UK and Ireland with guidance, support and training.

In store customers will find that all of our milk is British, sourced from British dairy farmers who are guaranteed a fair price for every pint through our Fair for Farmers Guarantee. We support our dairy farmers through the Tesco Sustainable Dairy Group, which was the first of the TSFGs to be set up in 2007, and now represents the largest group of dairy farmers working with a retailer directly. In addition to this, 100% of our beef, chicken, eggs and cheese is British and Irish. Alongside this we have a dedicated local sourcing team to evaluate and identify locally-sourced products, which are then sold in store – giving customers access to top quality, British products.

Recognising the demand from our customers for homegrown, seasonal produce, we work with trusted growers across the UK to deliver this all year round and include our Best of British Union Jack on packaging to help customers identify fresh fruit and vegetables which are 100 per cent homegrown. We are also using this partnership approach to foster innovation across all sectors, including our Incubator Programme which is helping suppliers to grow their brands and bring new, innovative products to market."

Vaccine diplomacy

The UK is likely to have a substantial surplus of vaccine doses over home needs, thanks to its early and substantial actions to help firms develop and produce them including placing advance orders. The UK success also included working with Astra Zeneca who came up with the cheapest vaccine on offer and promised to sell it profit free, thanks to the UK taxpayer backing the project in its early days. It is perhaps understandable that some other countries, some higher charging companies and the EU are jealous of this success.

The UK took a big risk, as no-one could be sure which companies if any would succeed when the UK made investments and offered contracts. As a result of good choices the UK will have substantial supplies of vaccines from other companies as well as Astra. This will allow the UK to offer many millions of doses of various vaccines to others. The issues arise, which countries should we choose and on what basis should the additional vaccines be supplied?

There is a case to be made to supply some of our surplus free of charge to low income countries who did not have the rich country advantages of a strong domestic industry to develop the products, or the cash to forward order in quantity. This would be a good use of our overseas aid budget, paying for the vaccines from that source. It is difficult to see why we should similarly supply free to any higher income country that would like our diverted orders. There is a case for charging them what they cost us. Some might argue we should charge them a higher market price. In the case of Astra product that would raise the issue should any part of a UK taxpayer profit be shared with Astra who otherwise have a break even price, and might raise issues for Astra about their promises over general pricing and supply. There is also the issue of what criteria we should use to select the countries that we help. I suspect many UK taxpayers would be unhappy to help any country that had recently imposed trade bans, restrictions or sanctions on us or who had tried to undermine the reputation of Astra product. I would be interested in views.

Emmbrook School becomes an Academy

I have received official confirmation from the government that Emmbrook School will be an Academy from April 1 2021 . A funding agreement has been reached between the government and the School. I wish the school success from its new status.

Time to move on from EU policies

Let us remind Ministers that in U.K. government the civil service provides continuity. They will carry on energetically implementing past policies until the Cabinet or a Minister with the authority tells them policy is changing. It is the job of Ministers to propose new directions, argue them through against civil service objections and sell them to Parliament and the public.

In a few areas Ministers have seized the initiative and changed policy from the overarching EU laws and decisions which came to dominate most areas in recent years. The notable decision to opt out of the EU approach to vaccine development and procurement shows what can be done. Yet in all too many other cases Ministers are still to change and improve the EU approach which governs.

The Treasury for example has still not removed VAT from a range of items where the U.K. thought it wrong impose the tax. Why is there still VAT on boiler controls, heat pumps, drought excluder and insulation for starters? Why are we still reporting under the debt and deficit rules of Maastricht? Can't we have a pro growth anti inflation framework of our own to replace Maastricht austerity rules?

At DEFRA we still await details of how the U.K. is going to rebuild its fishing fleets and take control of our fish, catching sustainable quantities and landing them in the U.K. At Business there is no sign of a better regulation Bill to slim and improve the vast annals of EU legislation, some of which the U.K. opposed or wished to improve when first drafted. Pledging high standards is good, but improving the way they are defined and enforced would also be good. At the FCO There is little riposte to the abuses of trade between the EU and ourselves, particularly on the island of Ireland. We still do not have new procurement rules, nor a better self reliant energy policy.

We did not leave the EU to preserve all its legislative works from the outside. We left to make things better. Some Ministers need to alert officials to the huge opportunities which Brexit can bring.