

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.