

Minutes of the third Trade Specialised Committee on Goods, 8th November 2023.

The UK co-chair welcomed participants to the meeting. The provisional agenda as published in advance was adopted for the meeting. Both Parties made an opening statement, noting the shared ambition for an open and constructive dialogue.

Item 2 – Review of completed obligations under the Goods heading and Actions from the previous TSC on Goods

The Parties noted the obligation in Article 31 of the TCA as regards the exchange of data on Preference Utilisation Rate (PUR). This exchange took place on 30th June 2023. The Parties considered the actions from last year's committee, noting that technical exchanges on the EU's Carbon Border Adjustment Mechanism have taken place. The Parties agreed to aim to exchange this year's PUR data to the same time frame, namely in the first half of 2024.

Item 3 – Taking stock in the trade in goods, including on Preference Utilisation Rates (PUR)

Both Parties delivered presentations outlining key features of import/export flows, noting that imports and exports in 2022 grew strongly in comparison to 2021. There continued to be difficulties in interpreting trade data in recent years given, for example, the impacts of the Covid-19 pandemic and Russia's invasion of Ukraine as well as changes to data collection methodologies as a result of the UK leaving the EU.

Both Parties also presented on preference utilisation rates (PUR), following the data exchange in advance of the meeting in line with Article 31 of the TCA. Analysis from both Parties showed high levels of utilisation rate on both sides, noting some variation on specific sectors. Both Parties agreed that it would be useful to continue to exchange information at a technical level on possible drivers of lower uptake in support of a shared objective to maximise utilisation rates.

Item 4 – Carbon Border Adjustment Mechanisms

The EU provided an update on the implementation of its Carbon Border Adjustment Mechanism (CBAM). The UK noted that there was a high level of interest in the requirements among UK businesses and concern about the impact of the CBAM on UK-EU trade. The UK sought clarity on the reporting process and how the Commission might incorporate feedback, whilst welcoming the cooperation both Parties have had to date. The EU stressed that the initial implementation phase is a transitional and learning period. The UK noted that there were still significant technical issues for electricity requiring resolution for CBAM to be operable. The EU noted that the UK showed interest in being invited to the new EU informal expert group.

The UK provided an update on its '*Addressing Carbon Leakage risk to support decarbonisation*' consultation, outlining that the responses to the consultation are being actively considered and the UK Government will set out next steps in due course.

Item 5 – Exchange of information on Supply Chain Initiatives in the EU and UK

The UK introduced the item, noting that the UK and EU face common challenges which have the potential to impact UK-EU trade and therefore noting the importance for the UK and EU to continue to communicate and collaborate on supply chain initiatives. The EU agreed, noting that recent events have demonstrated the importance of collaborative working.

The UK then introduced its Integrated Review Refresh (IRR), noting that the strategy looks to work with similarly positioned economies, including the EU, to develop and promote approaches that strengthen our collective economic resilience. The UK also updated on its Critical Import Strategy announced in the IRR, which sets out the UK's strategy on critical imports and supply chains.

The EU presented on its Single Market Emergency Instrument (SMEI), noting that proposals were still under discussion by its co-legislators. The Commission emphasised that it was keen for transparency on every measure that a Member State or the EU itself undertook in crisis periods. The UK noted its concerns on the impact on UK-EU trade, noting that mutual resilience could be strengthened by considering partnerships on the free-flow of crisis goods across our borders.

Turning to Critical Raw Materials, the EU presented on its Critical Raw Materials Act which sought to reduce dependencies on the EU's supply of Critical Raw Materials. The EU set out its strategy for advancing this objective; through strategic partnerships, tackling unfair trade policies, and the Critical Raw Materials Club. The UK then presented on its Critical Minerals Strategy with its three pillars to accelerate the UK's domestic capabilities, collaborate with international partners and enhance global markets. Both Parties noted that it was encouraging to see that they were very close in strategy and approach, and that further exchanges may be useful within the context of the Trade Specialised Committee on Goods.

Finally, the UK presented on its National Semiconductor Strategy, focusing on its objectives to grow the domestic market by focussing on the UK's areas of strength (chip design, R&D and compound materials), and to build supply chain resilience. The EU presented on its Chips Act, which followed on from the discussion at last year's Committee meeting. Both Parties noted the importance of international engagement and outreach as part of their strategies. It was agreed that further exchanges should take place between both Parties within the context of the Trade Specialised Committee on Goods, including on the UK Semiconductor Advisory Panel.

In concluding, the UK welcomed the broad discussion across different aspects of supply chain policy. Given that such supply chains almost invariably crossed borders, our respective policies would be most effective when they properly incorporated the international dimension from an early stage, including appropriate collaboration with partners.

Participation list

UK Delegation

- UK Co-chair of the Trade Specialised Committee on Goods
- UK Government Officials from DBT, DESNZ, DSIT, FCDO, HMT and HMRC
- UK Government Officials from the UK Mission to the European Union
- Scottish Government Officials
- Northern Ireland Executive Officials
- Welsh Government Officials

EU delegation

- EU Co-chair of the Trade Specialised Committee on Goods
- European Commission Officials (TRADE, TAXUD, SecGen, GROW, CNECT)
- EU Officials from Delegation of the European Union to the UK
- Representatives of EU Member States

Agenda for the third meeting of the Trade Specialised Committee on Goods

London (hybrid format), 8th November 2023
13:00 to 16:45 BST / 14:00 to 17:45 CEST

	<u>Agenda Item</u>
1	Opening remarks and adoption of the agenda
2	Review of completed obligations under the Goods heading and Actions from the previous TSC on Goods
3	Taking stock in the trade in goods
4	Carbon Border Adjustment Mechanism
5	Exchanges of information on Supply Chain Initiatives in the EU and the UK
6	AOB and closing remarks