

EXPLANATORY MEMORANDUM ON A EUROPEAN UNION DOCUMENT

COM(2023)118

Report from the Commission to the European Parliament and the Council on the implementation and application of the Trade and Cooperation Agreement between the European Union and the United Kingdom of Great Britain and Northern Ireland 1 January – 31 December 2022

Submitted by the Foreign, Commonwealth and Development Office, 12/04/2023

SUBJECT MATTER

This Explanatory Memorandum relates to the EU's second annual report on the implementation and application of the Trade and Cooperation Agreement (TCA) published by the European Commission in accordance with Article 2(4) of Council Decision (EU) 2021/689 of 29 April 2021 on the conclusion of the UK/EU Trade and Cooperation Agreement (TCA).

The report reviews implementation of the TCA over the course of 2022 and covers: the TCA's institutional framework; trade in goods; trade in services; energy; transport; fisheries; social security coordination; law enforcement and judicial cooperation; participation in Union Programmes; the evolution of law in the United Kingdom; level playing field for open and fair competition and sustainable development; and trade flows. The EU has committed to publishing these reports annually until 2026, after which it will continue to publish them biennially.

SCRUTINY HISTORY

The EU Decision to sign and provisionally apply the UK/EU TCA was deposited for scrutiny as EU document 14335/20 and an Explanatory Memorandum was submitted by Cabinet Office on 26 January 2021. A further Explanatory Memorandum was submitted to the Select Committees that scrutinise the UK-EU relationship on the EU's 2022 TCA implementation report (EU document) (COM(22)C26) dated 12 August 2022. The report was examined by the House of Lords European Affairs Committee and there has been an exchange of correspondence between the Chair of the committee and the Minister for Europe on issues arising from the report.

MINISTERIAL RESPONSIBILITY

The Foreign Secretary has overall responsibility for the UK's relationship with the EU including on the implementation of the TCA. Other Ministers have responsibility for the individual policy sectors covered by the TCA.

INTEREST OF THE DEVOLVED ADMINISTRATIONS

The devolved administrations are consulted regularly on the UK's approach to matters arising from the implementation of the TCA.

LEGAL AND PROCEDURAL ISSUES

Council Decision (EU) 2021/689 of 29 April 2021 on the conclusion of the UK/EU TCA provides for this annual report. This is the Commission's second report on the TCA's implementation and application, as required by Article 2(4) of Council Decision (EU)

2021/689 of 29 April 2021. The report has been sent to the European Parliament and Council for information.

POLICY IMPLICATIONS

The UK government's view is that the TCA is functioning well. In 2022, the Committees established under the agreement met 22 times, considering a wider range of implementation issues. The government has also made progress on important areas like energy cooperation where the government has restarted work with EU Member States under the North Sea Energy Cooperation agreement.

The agreement has supported UK-EU trade and investment. In 2021, total goods trade with the EU was £391bn (£381bn when adjusted for inflation). In 2021, goods exports to the EU were £155bn and imports were £236bn, or £149bn and £231bn respectively when adjusted for inflation. There was a continued recovery in 2022, with UK goods exports to the EU of £194bn and imports of £311bn (£158bn and £275bn respectively when adjusted for inflation). In current prices, UK-EU trade flows in goods surpassed pre-COVID-19 levels. Some of this increase owes to inflation.

The EU also remains a top trading partner in services. In the four quarters to Q3 2022 the EU accounted for 40% of UK services trade, compared with 42% pre-COVID-19. In current prices, services trade has now recovered and increased above pre-COVID-19 levels. In the four quarters to Q3 2022, UK services exports to the EU were 11% higher than pre-COVID-19 levels, and imports were 1% higher. Inflation-adjusted figures for EU services trade are not available.

On 27 February the Prime Minister and President of the EU Commission Ursula von der Leyen announced the Windsor Framework. In the accompanying political declaration, both the UK and EU expressed their intention to fully exploit the potential of the TCA and maximise the potential of the relationship between the EU and the UK in ways that benefit both parties. On 24 March the Foreign Secretary and Vice President Šefčovič met at the TCA Partnership Council and discussed implementation of the TCA and cooperation in a range of crucial areas including energy, trade and security, and agreed on next steps. On EU programmes, both sides noted their openness to take forward discussions on UK association in the coming weeks. We are still looking for progress in a number of areas, including the electricity trading arrangements envisaged by the TCA, and the fiscal representatives requirement.

The government has also committed to producing its own TCA implementation report, which is due to be published this spring. This will be the UK government's first report on TCA implementation, covering the period between 1 January 2021 and 31 December 2022. It will summarise the UK's engagement with the EU through the formal structures established by the TCA, establish the progress that has been made in implementing the agreement, and note the areas where the UK has raised concerns regarding EU implementation.

The UK TCA implementation report will be shared with the Select Committees that scrutinise the UK-EU relationship in due course. The government has committed to publishing TCA implementation reports biennially.

CONSULTATION

The government is committed to ensuring transparency and parliamentary scrutiny of TCA implementation. Although no formal consultation with external stakeholders is required for the EU's report, the government remains in close touch with parliamentarians and external stakeholders on issues arising from the TCA including through formal scrutiny processes, evidence sessions, correspondence with committees, briefing of clerks, statements to Parliament and through bodies established by the TCA including the Parliamentary Partnership Assembly, the Civil Society Forum and the Domestic Advisory Group. The government also publishes the agendas and minutes of all TCA governance meetings, including the Partnership Council, on GOV.UK, and the Office for National Statistics regularly publishes UK-EU trade data.

FINANCIAL IMPLICATIONS

No financial implications arise as a direct consequence of the Commission's report.

MINISTERIAL NAME AND SIGNATURE

A handwritten signature in blue ink, appearing to read 'Leo Docherty', is centered on the page. The signature is fluid and cursive, with a small dot at the end.

Leo Docherty MP

Minister for Europe

Foreign, Commonwealth and Development Office