

Rt Hon Liam Byrne MP
Chair
House of Commons Business and Trade Select Committee
House of Commons
London
SW1A 2DY

24 April 2025

Dear Chair,

Clarification of the SMMT and UK Automotive position on the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM)

I am writing on behalf of the Society of Motor Manufacturers and Traders (SMMT) with regard to the Committee's report, ***How to strengthen UK-EU relations*** (published on 4 April 2025) to advise you of a clarification on UK Automotive's support for the UK to open negotiations on re-joining the PEM Convention, and whether or not it is necessary for a correction on our position to be made by the Committee.

The Committee's Report referred to the written evidence from SMMT (dated February 2025 and published on 25 March 2025 on the Committee's website) to the Committee's Inquiry into Export Led Growth. However, in referencing our evidence and aligning it with the Committee's own recommendation on re-joining the PEM Convention, we believe there has been a small, but significant misunderstanding of what we currently advocate for. In the Report, the reference to our evidence, states:

"In written evidence, the Society of Motor Manufacturers and Traders (SMMT) notably recommended joining the PEM Convention alongside the current TCA, rather than instead of it."

On its own, the reference is correct. However, the Committee's subsequent recommendation proposes:

45. RECOMMENDATION

The Government should re-join the Pan-Euro-Mediterranean (PEM) Convention alongside the Trade and Cooperation Agreement (TCA). As part of this step, we urge the Government to encourage PEM members to replicate the TCA's specific Rules of Origin for electric vehicles that encourage onshoring in both the UK and the EU.

To clarify, in our evidence we stated that Government should:

*"Consult with the UK manufacturing sector on the **possibility to join the Regional Convention on Pan-Euro-Mediterranean Preferential Rules of Origin as an additional alternative** to the rules of origin set by the Trade and Cooperation Agreement"*.

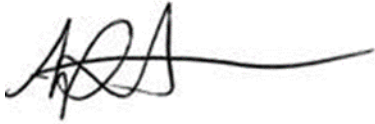
If origin requirements are aligned across the EU-UK Trade and Cooperation Agreement (TCA) and PEM Convention, they would cease to provide an alternative anymore and in this scenario the combined impact would make it even harder to avoid tariffs with another nineteen PEM parties. The PEM Convention should offer an additional route to compliance with the EU, to support the critical EU-UK trading relationship at a time when we need to provide the electrified vehicle transition with all the help it can get – for manufacturers, the supply chain and the consumer. The Committee's recommendation would, as it stands, have the opposite effect.

Industry position paper

I am happy to advise, that in consultation with our members, we have developed an industry position on the PEM Convention, and I have attached a copy of this short paper for you and your Committee to assist with your work and understanding of our position. Please note, this paper is provided in confidence and is not intended for publication. We would be happy to brief you further on the industry's position, if that would be helpful.

Thank you again for the opportunity to appear before the Committee to provide industry intelligence, and we look forward to supporting further this Inquiry, along with the Inquiry on Export Led Growth and your survey on your 'green paper' on UK-EU relations. I look forward to your earliest response and to meeting with you again soon.

Yours sincerely,



Mike Hawes OBE
Chief Executive



INVESTOR IN PEOPLE

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