

## What is a critical import?

The government defines critical imports as those goods imported into the UK which are critical to the UK security and prosperity. This primarily refers to goods which are essential for the operation of the UK's designated Critical National Infrastructure (CNI) sectors and / or to the success of the government's five growth sectors.

### Critical goods

Government considers a good critical to these sectors to be one where if supply disruption were to occur, there would be a high likelihood of a moderate to catastrophic detrimental impact within the UK on: (a) essential services; (b) life, including medicines and delivery of patient care; (c) the economy; a strategic economic sector or the economy as a whole, including those sectors critical for reaching net zero; or (d) national security, including the functioning of the state and public order.

This strategy does not cover the import of services, of which the UK is a net exporter with a £38.3 billion services trade surplus in the third quarter of 2023.<sup>6</sup> Given the nature of services, their trade tends to be less susceptible to short to medium-term disruption.

### CNI sectors

Government defines CNI as the critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in:

- a. major detrimental impact on the availability, integrity or delivery of essential services taking into account significant economic or social impacts; and/or
- b. significant impact on national security, national defence, or the functioning of the state.

CNI sectors		Growth sectors
The sectors this currently encompasses are <sup>7</sup> :		The Chancellor set out the UK's growth sectors in January 2023 as:
<ul style="list-style-type: none"> <li>• Chemicals</li> <li>• Civil Nuclear</li> <li>• Communications</li> <li>• Defence</li> <li>• Emergency Services</li> <li>• Energy</li> <li>• Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Food</li> <li>• Government</li> <li>• Health</li> <li>• Space</li> <li>• Transport</li> <li>• Water</li> </ul>	<ul style="list-style-type: none"> <li>• Creative Industries</li> <li>• Digital Technology</li> <li>• Green Industries</li> <li>• Life Sciences</li> <li>• Advanced Manufacturing (including automotive and aerospace).</li> </ul>

## Why do we need a strategy and why now?

To address recent supply chain shocks and long-term trends impacting sectors, the government has undertaken work and published a series of plans to increase the resilience of the supply chains critical to specific sectors and technologies, including semiconductors and critical minerals. Given the common challenges and opportunities facing many critical imports and supply chains, it is important that these plans hang together in a coherent overarching, cross-government approach to building resilience across the UK economy.

This strategy addresses that need by providing an overview across our critical imports, bringing together work on critical supply chains from across government, and sharing our plans for building resilience across sectors to maintain supply of critical goods. This strategy sets out the UK government's priorities for building supply chain resilience for importing businesses, while signalling our intention for increased collaboration with international partners to enhance global resilience.

In doing so, this strategy responds to the action in the 2023 IR refresh, which committed to set out a strategy to support specific government and business action to strengthen our resilience in critical sectors. Through this strategy we will address this gap.

<sup>6</sup> ONS, (August 2023), UK Trade,

<https://www.gov.uk/government/statistics/trade-and-investment-core-statistics-book/trade-and-investment-core-statistics-book#trade-balance>

<sup>7</sup> NPSA, (2023), CNI Sectors as of November 2023. CNI sectors may be subject to change in the future. For the latest definition see: <https://www.npsa.gov.uk/critical-national-infrastructure-0>

Where this approach identifies a potential shock, or when an unanticipated event leads to supply chain disruption, government has developed a response model covering all emergency planning, response, recovery and risk assessment. Designated Lead Government Departments will lead work relating to sectors falling under their responsibility, such as developing contingency plans. Where shocks are sufficiently cross-cutting and complex, a central response will be coordinated across government by the Cabinet Office Briefing Rooms (COBR) Unit.

### **Supplier engagement and reporting**

Where government works closely with suppliers to procure goods for public services, we have taken steps to build strong working relationships and ensure clear reporting mechanisms and mitigations are in place in the event of a supply chain disruption.

#### **Spotlight: Government and supplier coordination on health supply chains**

Ensuring medical supply chains are resilient and sustainable is a shared objective for government and suppliers alike. These complex supply chains rely on continued effective government dialogue with international partners, the NHS and business.

There are well established mechanisms for reporting and responding to shortages of medicines and medical products. There is a requirement on manufacturers of medicines to report shortages to the department, and DHSC established the National Supply Disruption Response, which acts as a single point of contact when a health or care provider, supplier or research body has exhausted all other options available to them to maintain supply of medical products to the UK.

To effectively manage disruptions, a comprehensive range of policies and contingency plans are in place. These help to prevent shortages and ensure that the risks to patients are minimised when they do arise. Measures such as stockpiles and targeted buffer stocks are specifically designed to mitigate a specific product shortage. Additionally, DHSC has procured an Express Freight Service contract to provide emergency logistics for any medical product from anywhere in the world.

Supply chain resilience is also an important consideration of awarding contracts to suppliers when procuring medicines and medical products, with a focus on developing available buffer stocks on British soil, such as in the case of generic medicines or high use clinical consumables. In particular, the NHS will implement multiple supplier framework agreements to improve security of supply and to manage demand spikes or individual supplier challenges.

The resilience of medicine and medical product supply chains is continuously strengthened through targeted domestic manufacturing investments and strategic procurement. A supplier-friendly environment is being cultivated in the UK, with sustainability targets such as net zero being emphasised and a transition to reusable medical devices being made.

### **Stress test exercises**

Government has also developed the capability to undertake ‘stress tests’ to identify and address potential supply chain vulnerabilities that could lead to disruption in the event of an economic shock. These are exercises involving participants from government, international partners and/or businesses working collaboratively to test the effectiveness of response plans for different scenarios. While this approach has long been used in a range of areas of government resilience work, its application to supply chains represents a new step.

#### **Spotlight: UK-Republic of Korea joint stress test**

The UK and the Republic of Korea (RoK) conducted a table-top exercise to test the resilience of the global electric vehicle (EV) battery recycling supply chain against several reasonable worst case disruption scenarios. The exercise was supported by industry experts and a range of government departments. The ‘stress test’ identified several recommendations to address the vulnerabilities identified. The findings will support ongoing policy development in this area.