



U.S.-EU Trade and Technology Council: Recommendations for Working Group 3 – Secure Supply Chains

January 2022

Introduction

The U.S. Chamber of Commerce is grateful for the opportunity to provide comments to the European Commission and the U.S. Department of Commerce regarding Trade and Technology Council (TTC) Working Group 3, focused on efforts to bolster shared supply chain security and resiliency. The Chamber is a strong proponent of the TTC, and we are eager to partner with officials on both sides of the Atlantic to make this a useful platform that yields tangible and commercially meaningful results.

Effective transatlantic collaboration and coordination of policies to improve our supply chain security are especially important to get right as we look to secure sustained economic growth post-pandemic. Challenges to supply chain security have been caused by unprecedented demand for certain products, shifting consumer spending patterns, and in some cases overreliance on untrustworthy trading partners for certain components or essential materials.

Guiding Questions for Inputs

What should be the main concrete objectives towards which this working group could work in your sector? More specifically, what concrete problems or issues have you encountered related to supply chain resilience which you believe could be addressed in the TTC Working Group 3 on Secure Supply Chains?

- As we enter the third year of the Covid-19 pandemic, a better understanding of recent supply chain challenges is emerging. In a workstream of interest to the EU, the Biden Administration has been conducting a review of supply chains with a particular focus on semiconductor manufacturing and advanced packaging; pharmaceuticals and active pharmaceutical ingredients; and high-capacity batteries, including electric-vehicle (EV) batteries, and strategic minerals, including rare earth elements, that are critical to their production.
- The fact that semiconductors have been in short supply generally does not reflect production problems: On the contrary, these shortages arise almost entirely from surging demand as the need for ICT goods and other products that incorporate semiconductors has risen during the pandemic, all of which proved difficult to forecast. Covid-19 surges, significant weather events, and other unforeseeable challenges at manufacturing facilities

(e.g., fires) disrupted operations of some semiconductor suppliers, adding delays, but those interruptions are for the most part well in the past at this writing. In addition, some industry customers were unable to maintain sufficient buffer inventory for single source or long-lead time products.

- Ultimately, addressing these issues will require the semiconductor industry to significantly increase capacity. U.S. and EU policymakers should use the TTC platform to coordinate efforts to bolster capacity and resiliency in this sector dependent on highly capital-intensive R&D. Work is afoot to advance this collaboration through the EU's IMEC and the new U.S. National Semiconductor Technology Center (NSTC). The Chamber supports these efforts.
- As regards pharmaceuticals, shortages have been extremely limited and have hardly risen from pre-pandemic levels. In the United States, the Food and Drug Administration tracks shortages among the more than 20,000 products it has approved for public use, and the small share (a fraction of one percent) in shortage at any given time has scarcely altered from the low levels seen before the pandemic.
- One more important area for international collaboration is high-capacity batteries, including EV batteries, and strategic minerals. The energy transition depends on further adoption and scaling up of production of these products, but their production depends strategic minerals such as cobalt, copper, lithium, nickel, and rare earths. Global mining firms may have to [raise production](#) of these minerals by 500% in the next decade to meet climate goals, yet investment in mines has [dropped sharply](#) over the past five years. The U.S. and the EU must work together — and with other countries such as Australia, Brazil, Canada, and Vietnam that are home to ample mineral resources — to ensure supply meets demand.

Overarching Principles

The following overarching policy priorities should guide the efforts of the TTC Working Group 3.

- **Trusted Supply Chains:** Incentivize greater supply chain integration between transatlantic partners and like-minded third country democracies to support supply chain diversification, resilience, and risk management.
- **Industry Collaboration:** Work with industry to identify key gaps in diversifying supply chains, particularly in the development of battery technology, electric vehicles & infrastructure, semiconductors, and medical equipment, including across the entire value chain from inputs to finished products.
- **Transatlantic Cooperation:** Pursue joint approaches to supply chain security to ensure continued access to critical raw materials, health products, and key technologies; and work to ensure supply chains remain connected, can adapt quickly to disruptions, and provide continued supply in emergency situations including addressing supply chain logistic issues.

- **Joint Assessment:** Develop a common assessment of vulnerabilities and work together to address them to avoid overcapacity or duplicative investments; identify what constitutes critical minerals and materials; and commit to a common standard and approach to build support for increased production and processing.

The U.S. Chamber welcomes the opportunity to provide additional information on this topic and looks forward to active discussions with U.S. and European policymakers as the work of the Trade and Technology Council unfolds.

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