



# Trade and Technology Council

## Working Group: Secure Supply Chains



### ISSUE

Global disruptions created by COVID-19 have highlighted the importance of strong, resilient, secure and diverse supply chains. The world economy is deeply integrated and thus reliant upon the smooth operation of market forces and the steady flow of essential goods and services. The EU and the US should aspire to appropriate interdependence over independence. Policy action will be needed to strengthen resilience and adaptability and safeguard against future economic crises and systemic disruptions. Business certainty and continuity depend on it.



### PRIORITIES

The areas in which the working group can and should strive to achieve immediate results are:

#### Open trade policy

The EU and US economies thrive and are more secure thanks to their interconnectedness and diversity. Supply chain resilience must be addressed; however, we caution against strategies such as re-shoring to be used as justification for protectionist measures which would harm EU-US cooperation. Potentially protectionist policy measures risk disturbing tightly calibrated supply chains and could lead to interruptions, hinder supply and spark retaliation from international partners, which may negatively impact resilience. Aiming for resilience should not lead to self-sufficiency or protectionism. For example, while the detail is yet to be published on the proposed VAT exemption for EU-produced goods, it has the potential to create a distorted market that may prevent critical capabilities from reaching EU Members States.

#### Shared values

As close allies, the EU and the US are well positioned to cooperate closely on the security of supply chains and critical dependencies. They should work together to confront common concerns regarding the resilience of global supply chains and find joint ways to rebalance them for a sustainable, post-COVID-19 recovery. The increase of semiconductor production in the EU and US, supported by non-discriminatory incentives for transatlantic investment and collaboration on research and development (R&D), is one of the potential quick wins. The EU and US could also share, on a voluntary basis, best practices on how to enhance their overall supply security and how to strengthen their resilience in the most vital sectors. Together they could identify the manufacturing capacities needed for national and economic security on both sides of the Atlantic and recommend ways to address them, including finding like-minded allies to work with.

**Ally-shoring**

AmCham EU supports ally-shoring efforts as a component of collaboration between the EU and the US, as well as with third-country partners that share common values.

**Due diligence**

The duty of due diligence should be consistent with existing international frameworks such as the United Nations Guiding Principles on Business and Human Rights and the OECD Guidance for Responsible Business Conduct. The EU and US should foster an open exchange of ideas, best practices and intentions with regards to upcoming legislation on supply chain due diligence, including forced labour. In light of the EU's recent industrial policy review and the US' supply chain review, both sides should focus on common challenges in securing their supply chains. Common areas comprise pharmaceuticals, semiconductors, raw materials and batteries.