



EU-US Trade and Technology Council

Public Consultation on Working Group 3 on Secure Supply Chains (WG 3)

1. Semiconductors:

We welcome the separate track of discussions focusing on semiconductors under the TTC Working Group 3 on Secure Supply Chains. This is a sector that is under pressure today due to significant shortages of supply, rising demand worldwide and sometimes restrictions on exports. As semiconductors are a critical part of high-end, high-value-added products, this pressure is being transferred to other sectors and the economy as a whole. Closely interlinked, the EU and the US have a common interest in alleviating this pressure to develop more resilient supply chains as part of the joint efforts towards a more sovereign technological framework.

The current pressures in the supply chain

We are witnessing a significant increase in demand for semiconductors that is not being met by existing production capabilities. This, in conjunction with continuing disruptions and delays in global logistics, is leading to shortages in supply and a significant increase in lead-times with an impact in different sectors of the economy, including in strategic R&D processes.

The other element that is generating additional pressure on supply/demand in the market and a redirection of orders are the export restrictions/bans imposed, in particular by the US, on sales to some Chinese companies. Moreover, suppliers are concentrated, mainly in Asia, which creates unsustainable dependencies posing additional risks for users, on both sides of the Atlantic. Understandably, this issue is of great concern to European business.

The way forward

We support solutions that will enable semiconductors supply chains to adapt quickly to disruptions or spikes in demand, as well as to the jumps in technology development that are happening. We need to look at diversification strategies, including reducing our dependencies and vulnerabilities concerning critical minerals that are essential for semiconductors, and trade policy – for instance trade liberalisation and opening up of investment opportunities through trade agreements – can play a decisive role to achieve this objective.

EU-US cooperation

- Working together with like-minded partners – most prominently the US – is important to prevent the risk of overcapacities and inefficient use of financial resources. Considering the different initiatives (such as the US and the EU CHIPS Acts) and public funding that many countries around the world are channelling for production of semiconductors it is also important to monitor closely public procurement policies and national content requirements to ensure that these measures do not distort the market or create barriers to trade.

- Discussions on this issue are also closely connected to those taking place in other Working Groups created under the Trade and Technology Council, such as Working Group 1 on Technology Standards (including on AI), Working Group 7 on Export Controls and Working Group 8 on Investment Screening. Therefore, the work should be coordinated in order to ensure that the outcomes in one area do not contradict the outcomes in other areas.

2. Critical Raw Materials:

Access to raw materials, particularly critical ones, is key in the production of high-value-added products in Europe, therefore playing an essential role in allowing exports of these products, supporting the competitiveness of European industry globally. At the same time, dependency on one or few sources for these materials can be problematic. This is a challenge identified by the EU and the US, as both have completed or are currently undertaking important exercises (such as the publication of the list of critical raw materials, the launch of the European Raw Materials Alliance and the Industrial Forum) to define the problem and develop solutions to address it.

For European business, pursuing a strategy of sourcing diversification, in cooperation with other like-minded partners, is the preferred path, while also discussing the deployment of other measures, such as strategic stockpiling and, where possible, the development of alternative sources. The EU and the US can help companies in their own decision-making by providing a comprehensive set of tools, by liberalising trade, increasing access to markets and levelling the playing field.

EU-US cooperation

- Joining forces to identify and address vulnerabilities in the area of critical raw materials, should go beyond the current challenges, the shortages and price hikes that may be exacerbated by the COVID-19 pandemic. The EU and the US should work together with a medium to long-term perspective, to anticipate future needs, look at dependencies and vulnerabilities and complete the list of critical raw materials, when necessary, in close collaboration with business.
- Investments to promote smart technological solutions, also in the context of circular economy, should also be part of the discussion. However, as in the debate over semiconductors, it is important that these efforts do not contribute to creating overcapacities and fragmentations in the supply chain.
- The Global Gateway Initiative of the EU together with similar initiatives from the US e.g. Blue Dot Network could lead to EU-US joint initiatives and catalyse private sector investments in the partner countries in line with common green and digital transition goals.

3. Pharmaceuticals:

The COVID-19 pandemic has showcased the importance of developing resilience in the pharmaceutical sector and securing access to critical medicinal products, active ingredients and therapeutics. We therefore welcome the launch of this discussion in the context of this

Working Group, which should be tasked with addressing the current challenges, but also contributing to longer-term solutions.

EU-US cooperation

- An important part of this exercise should be the identification of critical products by the EU and the US and the bottlenecks in the supply chain. Given the global nature of supply chains, lifting restrictions, for instance in exports, is a practical and necessary step forward to facilitate production and R&D, where possible.
- Beyond addressing shortages, developing resilient supply chains also depends on modern rules and standards in the area of health and on taking advantage of advanced technologies, including in the digital sphere. To this end, regulatory cooperation and exchanges between the Agencies and Authorities in the EU and the US should be promoted, as well as cooperation with business. We recognise that on this particular issue, discussions within Working Group 3 shall be complementary to discussions taking place within Working Group 1 on Technology Standards.