

Public-Private Dialogue series
"Geopolitical Consequences of Global Supply Chains"

Date: 28th November, 15:00 Zoom

Policy takeaways

Group 1: Re-globalisation and restructuring: the impact of geopolitical shifts & conflicts on value chains as well as supply chains.

- 1. Enhancing Supply Chain Resilience:** Develop strategies for proactive risk management based on improving n-tier supply chain visibility and mapping interdependencies that result in actionable insights and prioritisation of actions such as diversification of sourcing, near-/friendshoring models. This approach will keep vital supply chains in better control and helps targeted monitoring and preventive actions to minimise disruptions caused by a single source or single country.
- 2. Value-based over Cost-based:** Foster trade relationships that are more than cost-efficient and also politically, socially and environmentally sustainable. Adjust procurement policies to prioritise value-based procurement outcomes over cost-based and short term savings based frameworks, considering product life-cycles, future innovations, and critical long-term sustainability of supply chains.
- 3. Infrastructure Investment and Subsidies:** Investments towards strengthening infrastructure and social security are essential for fundamental supply chain transformations, including ports, roads, transportation networks, and technology upgrades. A lack of infrastructure investments will have adverse effects on supply chain resilience and re-globalisation.
- 4. Focus on Sophistication and Resilience in Policy Making:** Policies should aim for sophistication in supply chain management embracing complexities of modern technologies and products, going beyond single KPIs like cost to include factors that benefit society, such as ESG standards. If policy doesn't adapt resilience as a key indicator, operational procurement isn't incentivised but penalised for creating holistic value driven frameworks.
- 5. International Cooperation and Diplomacy:** It is crucial to enhance understanding of not only global trade dynamics, but of specific countries that are featured in the supply chains. Especially the countries that have differing political systems, and access to critical resources and materials. Trade should be utilised as a tool for diplomacy, leveraging mutual needs to find optimal solutions that drive freedom, security, and prosperity.
- 6. The AI and Big Data Phenomena:** The prevalent misconception assumes that AI will resolve supply chain issues, yet it has the potential to amplify existing underlying problems. AI proves effective for monitoring large sets of data and solve for clearly framed use cases faster than any technology before. To solve supply chain complexities its design must include safeguards to prevent a single point of attack from collapsing the entire supply

chain and built upon the premise to augment the people's ability to manage sophisticated supply chains and take on autonomous tasks where human ingenuity is not needed.

Group 2: NATO & EU ensuring resilient supply chains: Defence Production Action

- 1. Holistic Mindset Shift & Proactive Planning:** Move from reactive to proactive approaches in defence. Test the resilience of supply chains through "backcasting" and controlled self-disruption simulations. Increase production capacities with a focus on long-term planning (5-10 years) to balance industry uncertainty.
- 2. Political Willingness, Public Support & Adaptive Role of NATO:** Recognise the need for decisive political willingness. Explain to the public the importance of investing in resilient supply chains to secure democracies. Acknowledge differences in risk awareness between private and government sectors within NATO. Enhance collaboration, provide predictability through long-term orders, and balance operational needs with cost-effectiveness.
- 3. Preparation for Prolonged Warfare, Off-the-Shelf Procurement & Comprehensive Cost Considerations:** Emphasise readiness beyond day one for a long war. Build larger stocks, make existing technology "smart," and research civilian production line conversion for crucial components. Acknowledge the shift from quality to quantity and cooperate with member states in a procurement information hub for larger orders, particularly for standard off-the-shelf equipment. Align decisions with economic justifiability.
- 4. Strategic Use of Defence Spending & Predictability, Leadership Challenges:** Incentivise diversification of suppliers, maintenance of stocks, and regionalisation without compromising efficiency. Encourage steady government investment in sustainable production capabilities. Balance immediate readiness needs with long-term resilience. Address bureaucratic delays, lack of leadership, and government unwillingness to absorb costs.
- 5. Sustainable Ammunition Production & Public-Private Collaboration:** Encourage a measured and moderate increase in ammunition production aligned with government readiness needs. Prioritise sustained, steady production over dramatic ramp-ups for stability and resilience. Balance private industry incentives with strategic policies. Leverage private ownership and supportive programs for stock maintenance, regionalisation, and resource diversification.