

LEXSECURE Policy Brief

Awareness, operationalization, and capabilities for secure supply

Authors: Jaakko Salminen, Kirsi-Maria Halonen, Mikko Rajavuori, Mika Viljanen, Piia Kaave, Tomi Tuominen, Isabell Storsjö, and Saga Eriksson

The recent Covid-19 pandemic and geopolitical events have made individuals, firms, and states recognize the importance of securing the supply of critical goods, inputs, and personnel in crisis conditions. This policy brief outlines the LEXSECURE¹ policy framework for managing global value chains to promote security of supply.

LEXSECURE posits that European secure supply necessitates developing **value chain resilience awareness, operationalization, and capabilities at the organization, state, and EU levels.**

Enhancing value chain awareness

Awareness of the supply network is crucial for identifying the potential vulnerabilities that can turn into supply or demand disruptions. Mapping the critical pathways of pre-identified categories of goods and services that are essential for the continued functioning of critical societal services is important for the competitive advantage of firms and the resilience of the communities that they provide for.

In this domain, the LEXSECURE recommendations are:

Organizations, such as firms, need *best practices and patterns for contractual tools* that facilitate value chain awareness (e.g., disclosure clauses with correlating incentives). Public sector entities dependent on private markets (e.g., procurement) require similar capabilities.

States should explore mandating *value chain resilience mapping* for firms and authorities in critical product categories (e.g., knowing mid-tier supply chokepoints). Due diligence should be augmented with *national cross-administration bodies* responsible for coordinating and enforcing critical product and actor identification, data access, and situational awareness across public administration bodies and critical firms.

The EU should *develop a taxonomy of critical products, services, and sectors and develop initiatives for mapping Union-level critical value chains*, by leveraging EU information resources.

¹Law for Secure Supply: Internalizing the Crisis Exceptions (University of Turku, University of Eastern Finland, University of Lapland), funded by the Academy of Finland.

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Operationalizing value chain resilience

A comprehensive approach to enhancing resilience for critical products and services involves the use of a multitude of governance mechanisms by multiple actors, i.e. governmental policies and regulation, and value chain integration through ownership, contractual measures such as resilience due diligence, and informal governance mechanisms.

In this domain, the LEXSECURE recommendations are:

Organizations' *resilience planning practices and toolsets* should be developed and mainstreamed. More robust relationship- and capability-building practices (e.g. value-chain-spanning governance contracts or tools related to resilience due diligence) within value chains need to be adopted.

States should explore *mandating resilience due diligence planning for critical firms and sectors* to maintain continuous processes for identifying vulnerabilities and engaging with critical suppliers. National resilience planning ought to be orchestrated e.g. by establishing novel cross-administration bodies such as a *Critical Supply Chains Task Force*.

The EU should develop *policies and regulatory frameworks* for ensuring the functioning of the single market during crises and aligning member state solidarity. This could include *production resilience standards* for critical products and services and an *EU Common Trade Resilience Policy framework* to coordinate resilience actions on extra-EU markets.



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Developing value chain resilience capabilities

Resilience requires multiple actors to continuously work on and collaborate in developing and maintaining capabilities for responding to crises. There is a need for incentivizing public and private actors to build resilient value chains aligned with national resilience policies and build public-private hybrid organizational readiness for agile crisis response.

In this domain, the LEXSECURE recommendations are:

Organizations need to deepen *intra- and inter-industry resilience building* collaboration. This includes developing a *vision for resilient industries* and joint ventures, provided that they do not lead to harmful protectionism.

States should *stimulate and encourage industry resilience capability-building initiatives* and *develop strategic industry resilience policies* for critical supplies. *Strategic public-private partnerships* can be built and *support mechanisms* developed for critical production (e.g., long term or anchor contracts), cultivating supplier diversity, and building data and knowledge capabilities.

The EU should *maintain and coordinate intra-Union material resources* for acute crisis response and facilitate building *strategic intra-Union production capabilities* to increase its resilience. Capabilities also require a *common vocabulary and conceptual framework for structuring Union-level crisis preparedness measures* and *Union-level stockpiling of critical strategic products*. The EU should further *leverage trade policy tools* (export restrictions and anti-dumping duties) and *its extraterritorial regulatory competence* to shape global markets in critical products and services.

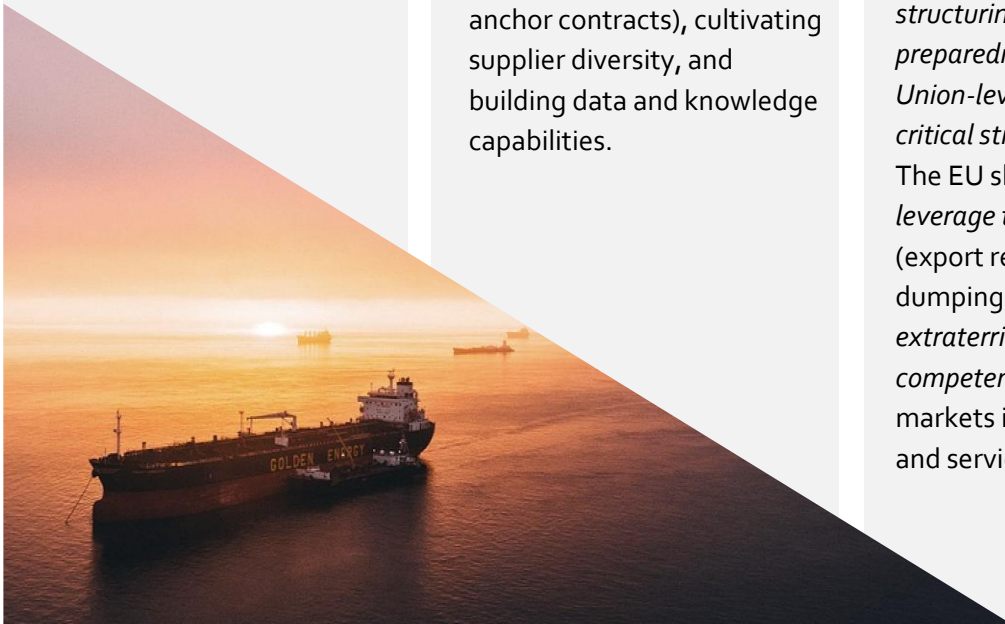


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DOMAIN	ORGANIZATION		STATE		EU	
	Measure	Instruments	Measure	Instruments	Measure	Instruments
Enhancing value chain awareness	Greater value chain awareness	Best practices, templates and patterns facilitating value chain awareness	Mapping of critical products and services and their value chains	Value chain resilience due diligence	Awareness of critical and strategic value chains	EU taxonomy of critical goods, services and sectors
Operationalizing value chain resilience	Resilient value chains for critical products and services	Mainstream resilience planning Relationship- and capability-building within value chains	Align national resilience policies with firms	Mandate resilience due diligence planning for critical firms and sectors Critical Supply Chains Task Force	Align policy frameworks for resilient internal market and member state solidarity	Develop production resilience standards for critical products and services Implement Common Trade Resilience Policy
Developing value chain resilience capabilities	Maintain value chain resilience	Deep intra- and inter-industry resilience building Build a vision for resilient industries	Support for critical production and logistics capabilities Cultivate data and knowledge capabilities	Critical public-private partnerships Strategic data and human resource allocation	Shared vocabulary and conceptual framework for EU-level preparedness Leverage strategic autonomy both intra- and extra-EU	Identify critical products for EU-level stockpiling Leverage Common Trade Policy for resilience