Secure and Resilient Supply Chains Require a Whole-of-Government Approach

The U.S. needs resilient, diverse, and secure supply chains to support its national security and economic objectives. Increased geopolitical tensions in the Indo-Pacific, conflict in Ukraine, the COVID-19 pandemic, and resulting economic disruptions highlighted the global nature of critical supply chains and revealed longstanding vulnerabilities. Senior government officials are focused on developing and expanding policies that enable a better understanding of the U.S. industrial base, proactively reduce trade dependencies on adversarial countries, and promote investment in U.S. capacity.[1] Due to the global nature and unique challenges of the aerospace and defense (A&D) industry, U.S. companies can provide knowledge and practical expertise to assist policymakers as they develop tools to bolster domestic production capability and maintain American competitiveness.

Promoting the long-term security, sustainability, and resilience of U.S. supply chains must be prioritized. This requires a comprehensive approach across industry, government, academia, and other stakeholders to address vulnerabilities, support and strengthen domestic production and competitiveness, and, where possible, invest in allies and partners to build supply chains that are flexible and secure. The Aerospace Industries Association (AIA), representing over 320 A&D companies, is committed to being a resource as policies that promote both resilience and security in our supply chains are considered.

Global Supply Chain Priorities

1. **Advocate for clear and flexible U.S. government policies and regulations on global supply chains,** ensuring U.S. access to critical technologies, minerals, and production capabilities.
    - **Ensure the U.S. regulatory environment allows American industry to remain globally competitive** by continuously assessing regulations, including licensing and export rules.
    - **Strengthen the resilience of the A&D supply chain**, including domestic specialty manufacturers and unique components and minerals critical to aerospace and defense systems.
    - **Encourage regular U.S. government reviews of compliance and regulatory burdens,** including transition timelines and reporting requirements. The A&D industry should be consulted on regulatory and policy changes on an iterative basis.
2. **Further develop an understanding of the unique supply chain challenges of the aerospace and defense industry**, ensuring A&D perspectives are considered in relation to other economic sectors.
    - **Expand industry participation and leverage industry expertise** in U.S. government and international supply chain dialogues and activities.

[1] For example, see The Department of Defense, February 2022, *Securing Defense-Critical Supply Chains: An action plan developed in response to President Biden's Executive Order 14017.*

- **Initiate a supply chain education campaign**, led by company subject matter experts, on challenges impacting the A&D industry.

3. **Leverage allies and partners in global supply chains** by supporting U.S. investment in allied and partner supply chains as an important component of resiliency to augment domestic capacity.
    - **Enable U.S. investment in allied and partner industrial base capacity,** including mining of critical minerals, rare earth elements, and other raw materials used as inputs in material production processes that are not readily available domestically.

Ensuring Resilient U.S. Supply Chains

1. **Address regulatory and compliance demands for qualifying new suppliers** by advocating for U.S. regulatory and statutory requirements that promote secure suppliers and reflect the industry specifications for aerospace grade applications (or raw materials).
    - A&D applications typically require high-purity, aerospace-grade raw materials that rely on qualified processing and smelting operations. These resources are growing in usage and are often finite, in addition to being both labor- and energy-intensive, e.g., semiconductors, titanium sponge, and hafnium.
2. **Establish an incentive structure for a diverse supplier base** by developing policies that will incentivize U.S. industry's early adaptation of risk mitigation strategies and supplier criteria, and encourage investment in trusted sources for mining, manufacturing, and production where U.S. capacity is unavailable. Increase U.S. capacity as part of the diverse supplier base incentive structure.
3. **Increase engagement with industry** at all tiers of the supply chain to ensure that measures aimed at increasing transparency in strategic and critical material supply chains are "right-sized" and do not unduly administratively burden smaller suppliers or lead to unintended consequences.
    - Encourage engagement with industry to ensure any sourcing requirements and/or mandated transition timelines, aimed at mitigating U.S. national security concerns, are reasonable and time-phased to reflect the availability of sources and standard market practices for establishing new suppliers.
4. **Develop bipartisan support in Congress and encourage enduring budget stability** for investment in both domestic and allied and partner production capacity of materials critical to U.S. aerospace and defense supply chains. Examples include critical minerals, kinetic capabilities, microelectronics, and castings and forgings. Ensure investments reflect current and projected threats to defense and commercial sector infrastructure.
5. **Encourage investment by the U.S. government** to help American companies secure supply agreements with trusted companies, acquire existing overseas mines, and develop new mines overseas.

Practical Policies to Leverage Partners in Supply Chain Resiliency

1. **Sustain international engagement** with Congress and the Administration to remove barriers to trade, such as tariffs, with allies and key partners in strategic and critical minerals and use initiatives like the Mineral Security Partnership to bolster critical mineral supply chains.
2. **Support onshoring policies,** fostering increased domestic production capability and capacity through enhanced government investment for materials critical to U.S. aerospace and defense supply chains.
3. **Secure diverse sources of supply for strategic and critical minerals** by encouraging U.S. government support of foreign ally-sourcing where domestic production is not feasible.
4. **Increase U.S. investment in allied and partner nations, where possible**, and provide additional authorities that allow U.S. investment in allied and partner supply chains via federally funded research grants and Title III of the Defense Production Act, only when domestic industry is not capable of meeting needs.