

January 14, 2022

Invitation for stakeholder inputs and comments on EU-U.S. Trade and Technology Council Working Group 3 on Secure Supply Chains

Dell Technologies Inc. ("Dell Technologies") respectfully submits this Comment Letter in response to the invitation for stakeholder inputs and comments on the EU-U.S. Trade and Technology Council Working Group 3 on Secure Supply Chains. The recommendations below address specifically the semiconductor supply chain. Dell Technologies is committed to establishing an innovative and sustainable semiconductor ecosystem. Semiconductors are a foundational technology for the current and future economy. Adequate investments should be made in production capacity and capabilities, while governments should be careful not to interfere in market dynamics and allowing innovation to drive supply and demand.

Main Objectives the Working Group Should Address

The current global shortage of semiconductors has impacted many industries in the global economy. As semiconductors are a foundational technology enabling our economy to function as it does, all industries reliant on the use of semiconductors are negatively impacted by insufficient supply. Increasing the supply must therefore be a top priority for the EU and the U.S. In particular, the Information Technology (IT) industry is vital to pandemic recovery, especially with the increased demand of remote technology services due to the recent shift to remote learning, working, and healthcare. There is a significant need for the essential products that the IT industry makes to enable people to live their lives, do their jobs, and educate their families from home. As a result, the demand for chips from IT manufacturers is at an all-time high.

These necessary services include providing devices and broadband internet access to students all around the United States and Europe, especially to those in underserved areas. The reality is that not everyone has the necessary tools to be able to effectively work or learn from home at this point, despite the world about to enter the third year of the pandemic. The digital divide is real, and it is leaving millions of families behind because they do not have devices, internet access, and other digital tools. To meet this demand and continue to address these societal inequities, the first step is ensuring that the underlying enabling technologies are available.

The need for semiconductors will only increase in the future, given the accelerated pace of digital transformation in all economic sectors. Increased investment in chip manufacturing is therefore going to be necessary to meet the ever-increasing demand highlighted by the current shortage. Supporting funding, such as through the Creating Helpful Incentives to Produce Semiconductors for America Act (CHIPS Act) in the U.S. or the European Chips Act in the EU, can help to ensure a stable, and reliable supply of chips in the long term and must be a priority. Building a semiconductor fabrication plant is very costly and requires significant government support to be competitive with factories in other locations around the world, particularly where governments are investing heavily in the future of their semiconductor industry.

Importantly, any response to the semiconductor shortage, whether short-, medium- or long-term, should not stifle the greater economy by requiring a rebalancing of current or future supply, carve-outs for funding, or other quotas. While investment in chip production is essential to increasing the global supply, semiconductor manufacturers should be able to choose the types of chips they

are producing based on customer demand, not a prescriptive requirement focused on favoring one industry over others. In line with that concept, any requirement by governments that specifies the types of chips semiconductor manufacturers should produce would cause both short- and long-term harm to the economy by restricting the market.

Having the government pick winners and losers will exacerbate the digital divide at a time when the government should be looking for ways to help those most impacted by the pandemic and economic slowdown, including rural and underserved schoolchildren. Investment in chip manufacturing generally without dictating how funds should be spent will not only significantly increase domestic production, it will also allow the EU and the U.S. to be globally competitive.

Proposed Actions for the Working Group

With more than 80% of global semiconductor production outside of the EU and the U.S., cooperation on this issue under the TTC umbrella is critical to ensure global competitiveness. The Working Group should focus on creating an enabling environment for investment in the semiconductor space, as well as incentivizing industry to use sophisticated supply chain planning on both sides of the Atlantic. This includes building and maintaining business relationships throughout supply chains, as well as diversifying supply where appropriate and necessary. Companies should also optimize efficiencies by planning to ensure there is sufficient supply available for production, while also remaining nimble to allow for the ability to respond to market dynamics – being neither overstocked, nor understocked at any given point in time. The TTC Working Group can play an important role in not only supporting adequate investment in domestic production capacity and capabilities, but also supporting policies that encourage companies to plan ahead and appropriately diversify their supply chains to tackle this important issue.