

President Biden wants more made in America

One of the interesting continuities between President Trump and President Biden is revealed by an important Executive Order issued from the Oval Office on 24 February. This pledges to use the full powers of the state to subsidise, grant, buy and regulate to ensure that more things are made in the USA. Both Presidents wanted or want to onshore more activity, help create more better paid jobs and strengthen US resilience. How can the USA defend herself, they argue, if she does not control crucial raw materials and technologies important to her defence?

Let's take the case of rare earths. These products are needed for the digital revolution. Too much of the world's output has been concentrated in Chinese hands or in the territories of countries China finances and allies with. The USA is now scrambling to re open old mines and put in new capacity at home to remedy this problem, for fear of China using her strong position in this market to push up prices or deny supply to the USA and her allies.

Let's consider semiconductors, currently in world shortage. US car plants may have to go slow for want of semiconductors to complete their assemblies. Asia produces most of them and has found an abundant and growing market in smartphones and other digital devices at a time when the motor industry needs more of these items to handle some recovery in volumes and the increase in semiconductor use in modern vehicles. The US with help from Taiwan is increasing its capacity.

Or let us consider large battery production. Now the USA has joined Europe in a combined wish to bury the diesel and petrol cars and replace them all as soon as possible with electric vehicles, there will be a colossal demand for batteries. The USA is short of such capacity and of the raw materials needed to produce them. The hunt is on to remedy these shortfalls.

The Biden Plan goes well beyond these targeted areas. The US wish to cut their imports and expand domestic production in a wide range of areas where government purchasing and government policy can make a difference and tip more in favour of competitive home product. The huge trade surpluses in goods of China and Germany are in their sights, as they seek to restore some balance to the large trade deficits they inherited.