

Prepared by the New Zealand Embassy in Washington.

Summary

- The Biden-Harris Administration will take action to address identified vulnerabilities, strengthen resilience by supporting domestic production, secure end-to-end domestic supply chains, and take a coordinated approach with allies and partners as a result of a review of critical US supply chains.
- The Administration recognises that strengthening US supply chains requires partnering with allies. “Friendshoring” (coined by the Administration) will be a major pillar of responding to any identified vulnerabilities.
- In an effort to tackle unfair trading practices that are seen to undermine US supply chains, the Administration has launched a ‘trade strike force’, which will pursue unilateral and multilateral enforcement actions against competitor nations.
- Connected to this work, the Administration has begun implementing President Biden’s Made in America order focusing on opportunities for domestic sourcing and reducing the need for waivers of US government procurement laws.
- One aspect of the Administration’s supply chain work of particular interest to New Zealand relates to the US food system. The Administration’s review of agricultural commodities and food production will not be completed until February 2022, but the Administration has already committed to US\$5 billion of investment across the food supply chain.

Report - Pūrongo

Prompted by disruptions caused by the COVID-19 pandemic, the Biden-Harris Administration has announced [findings](#) of a review of four critical products that have experienced well-documented shortages or other reasons for concern. The four products are:

- pharmaceuticals and their active ingredients (APIs);
- critical minerals used in electronics;
- computer chips used in consumer products; and
- large-capacity batteries for electric vehicles.

The Administration is also currently undertaking a more in-depth review of a broader set of US supply chains which will be concluded in February 2022. They will focus on six key sectors:

- agricultural commodities and food production;
- public health and biological preparedness;
- information and communications technology;
- energy;
- transportation; and
- the defence industry.

In addition to detailed findings and recommendations specific to each product category, the Administration also outlined observations applicable to all critical product sectors. The Administration found that the following factors have contributed to supply chain vulnerabilities across all sectors:

- **US manufacturing migration to Asia** – US manufacturing capacity has experienced several decades of decline. In parallel, key supply chains have become concentrated in a select number of economies, notably China, Taiwan, and India;
- **Misaligned market incentives** – The current US market structure does not reward firms for investing in quality, sustainability, or long-term productivity. In the US, a focus on maximizing short-term capital returns has resulted in under-investment in long-term resilience.
- **The US has not kept pace with other countries** – US allies, partners, and competitors have adopted strategic programs to advance domestic competitiveness while US investment in the domestic industrial base has stagnated; and
- **Underinvestment in cooperation with allies and partners** – The US hasn't prioritised its international diplomatic efforts to develop collective approaches to supply chain security.

Strengthening US resilience and competitiveness

Review recommendations will not only strengthen the critical supply chains but also contribute to rebuilding the US industrial base and strengthen US competitiveness. The White House will seek to support private sector investment in manufacturing and innovation. For instance, the Administration is seeking to leverage the government's role as a purchaser and investor in critical goods by reforming and strengthening US stockpiles of critical minerals and goods. This approach reflects moves by business to manage geopolitical supply chain risks and subsequent shortages of critical materials exacerbated by the pandemic.

Partnering with allies

The Administration recognises that strengthening US supply chains requires working with allies and partners. The Administration has described such "friendshoring" (coined by the Administration) as a major pillar of its industrial strategy. As National Economic Council Director Brian Deese said during a recent Atlantic Council webinar, "It's neither feasible nor advisable for us to re-shore all of our supply chains. Resilience does not mean closing ourselves to the rest of the world."

Cooperation with the EU, Japan, and the Republic of Korea, particularly on efforts to address semiconductor shortages, are signs of the Administration's strategy in action. To build on these successes, President Biden will convene a global forum on supply chain resilience. The forum will bring together governments and business from across key US allies and partners to collectively assess vulnerabilities, develop common approaches to supply chain challenges, and work to build strength through diversity and shared prosperity.

Tackling competitor's efforts to hollow out US supply chains

While the Administration has emphasised partnership with allies and a commitment on open and fair trade, it has also highlighted the need to combat unfair trade practices. To facilitate this, the Administration has announced the establishment of a US Trade Representative-led 'trade strike force' that will propose both unilateral and multilateral actions against "unfair foreign trade practices that have eroded critical supply chains."

Buy America

Connected to the Administration's work on supply chains and its broader economic programme is President Biden's '[Buy America Executive Order](#)'. As directed in this Order, the Office of Management and Budget has established the Made in America Office. The new office has recently provided initial [guidance](#) to federal agencies on increasing opportunities for domestic sourcing and reducing the need for waivers of Made in America laws. It will consider the extent to which procurement waivers and exception remain relevant, the impact of narrowing or lifting them, and the extent to which current conditions may support such restrictions to further promote Made in America policies.

Strengthening and diversifying the US food system

One aspect of the Administration's supply chain work of particular interest for New Zealand relates to the US food system. The US Department of Agriculture (USDA) has committed US\$5 billion to rebuilding the US food system and strengthening and diversifying supply chains for food production, food processing, food distribution

and aggregation, and markets and consumers. Most recently, [USDA announced it will invest US\\$4 billion](#) to address supply chain resilience issues in the agriculture and food sectors which were exposed or exacerbated by the pandemic.

Drawing on funding from Covid-19 relief resources, the American Rescue Plan, and USDA program funding, the investment will use a “mix of grants, loans, and innovative financing mechanisms” to build resilience across the supply chain. Agriculture Secretary Tom Vilsack, who will co-lead a Supply Chains Disruption Task Force, emphasised the broader goals to reporters: “What we really need is a transformational change in order to build back better our food system and our ag system, one that is economically, environmentally, and nutritionally more resilient, and fairer and more open”.

The US meat sector has been singled out for attention, with part of the investment intended to “address the shortage of small meat processing facilities across the country as well as the necessary local and regional food system infrastructure needed to support them.” Covid-19 exposed a lack of resilience in the sector’s supply chain and heightened tensions between producers and processors over cattle markets and margins.

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