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SUPPLY CHAINS SHOULD EMPOWER US MANUFACTURERS, NOT ENFEEBLE THEM

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By James Clad

The era of debate over China's intentions has all but ended; Beijing's moves now figure as *the* defining challenge of the 21st century.

Beginning with its inadmissible goal of displacing the US in the western Pacific, the anti-China charge-sheet in Washington now embraces much more. From rapacious intellectual-property theft and relentless espionage, to abuse of non-Chinese minorities and a widening intolerance of any dissent, we have a big agenda of wrong-doing.

Of course we cannot lay every shortcoming at China's feet. There's no dodging blame for our own failure to arrest the hollowing out of American industry. Certainly, China's indifference to labor and environmental standards reaped it many competitive advantages, as did strikingly lower labor costs. Direct and hidden government subsidies to Chinese firms created an increasingly uneven playing-field, the antithesis of the market-minded economy promised by Beijing's WTO accession.

Yet China's industrial rise and American industry's offshoring won applause from some circles for narrowly self-interested reasons. Keeping their heads down, transplanted US manufacturers preferred a hands-off approach to China, touting the tired argument that 'cheaper goods always benefit America's hard-up consumers'.

In addition, offshoring US industry also meant offshoring environmental challenges. An out-of-sight, out-of-mind attitude took over, even as we devoured ever more Chinese materials (minerals, plastics, and steel).

Slowly at first but then more rapidly, America's industrial base withered after 1990. One by one, industries once deemed 'essential' vanished. So did their specialized supply chains; today's economic strangulation by COVID-19 has thrown offshore supply-chain vulnerabilities into sharp relief.

It took a global pandemic to pound into American heads the realization that rule-dodging, on-the-cheap exporters had steadily crimped domestic US manufacturing. All this has now become very real – as life-or-death medical items suffer short supply, especially masks, pharmaceuticals, and ventilators.

Meanwhile, the federal government's stockpiling of medical supplies has proved a disaster. At best, stockpiles offer a poor substitute for the robust industrial base we once possessed. Any industrial enterprise needs reliable supply chains, a need going far beyond the immediate needs of a pandemic. Whether fixing national security vulnerabilities or reinvigorating a moribund economy, essential supply chains must begin to repatriate and come home.

Supply chains for essential materials for public health emergencies make an obvious starting point for action. So does reassertion of control over vital domestically extracted minerals. Rare earth elements figure in everything from the technology of advanced consumer products to sophisticated weaponry. China already produces twenty-three of the 35 mineral commodities cited by the departments of Defense and of the Interior as "essential for U.S. economic and national security."

Resuscitating mining and associated minerals processing in the US can help us resist China's suffocating leverage. And, unlike other global mineral supply locations, the tools for correcting our situation lie within reach. Both the US and Canada have abundant reserves of cobalt, graphite, lithium, nickel and rare earths.

Both geologic and geopolitical reasons encourage us to claw back key resources and markets. Federal and state tax and investment policies must escape a regulatory morass stymying recovery at home while pushing production abroad. Fortunately, legislation already exists which, if applied, can remedy the regulatory obstacles. In a recent op-ed, Senator Mitt Romney caught the moment very well. "Beijing's weapon of choice is economic," he says. "The tip of its spear is global industrial predation."

Even in times of pandemic, the reshoring of essential industries and their supply chains amounts to a do-able objective, backed by important national security and employment rationales. For all these reasons, America's supply chains must empower, not enfeeble.

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