



Biden Seeks Billions While the Chips Are Down

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U.S. President Joe Biden is linking his \$2 trillion infrastructure spending plan to alleviating a critical shortage of semiconductors.

"Chips, like the one I have here — these chips, these wafers are batteries, broadband —it's all infrastructure," Biden said in the White House Roosevelt Room on Monday during a virtual meeting with leaders of some of the country's biggest companies hurt by a global shortage of semiconductors.

The goal of the meeting, according to the president, was to figure out how to "strengthen our domestic semiconductor industry and secure the American supply chain."

Earlier, White House press secretary Jen Psaki, speaking to reporters, said, "This isn't a meeting where we expect a decision or an announcement to come out of, but part of our ongoing engagement and discussion about how to best address this issue over the long term, but also over the short term."

A shortage of semiconductors, commonly known as chips, has significantly slowed U.S. auto manufacturing, with General Motors, Ford and other carmakers temporarily shuttering some factories or reducing production.

President Joe Biden participates virtually in the CEO Summit on Semiconductor and Supply Chain Resilience in the Roosevelt Room of the White House, April 12, 2021.

The White House meeting on "semiconductor and supply chain resilience," was led by national security adviser Jake Sullivan, National Economic Council Director Brian Deese and Commerce Secretary Gina Raimondo.

Among the 19 executives participating were the bosses of Alphabet/Google, aircraft maker Northrup Grumman and automakers General Motors and Ford, as well as Intel and Taiwan Semiconductor Manufacturing Company, key companies in the semiconductor industry.

The coronavirus pandemic had prompted automakers to cancel their chip contracts, meaning when they wanted to ramp up production again, they did not have adequate supplies.

"When it looked like the economy was going into a great depression these automakers thought sales were going to be bad for the year and they cut their contracts. But the problem is when they did that, they freed up a ton of capacity at the semiconductor labs to produce other chips," said Scott Lincicome, Cato Institute senior fellow in economic studies.

The chip shortage, while quite serious, is thus only temporary, Lincicome said.

The White House, in its infrastructure plan, wants lawmakers to approve \$50 billion for a new Commerce Department office to support production of critical goods and another \$50 billion to boost semiconductor manufacturing and research.

"I'm very concerned that it's just a slush fund for corporate welfare," said Lincicome, who suggests the U.S. government, instead, "should invest in bleeding edge research and development."

The short-term issue of a shortage of semiconductors for the automotive industry should not be confused with the "larger, existential problem that the United States does not produce enough of its own chips," according to Roslyn Layton, the co-founder of China Tech Threat.

The United States should aim to produce domestically at least half of its own chips in the major categories, said Layton, explaining there should also be greater scrutiny of American companies selling high-end semiconductor manufacturing equipment to Chinese military-linked fabricators, which "violates U.S. and international law."

The United States "has accelerated its decline in manufacturing and advanced technology with weak enforcement of export controls. This is something that the next leader of Bureau of Industry and Security at the Department of Commerce needs to tighten," Layton said.

During the virtual meeting, Biden told the corporate executives he had received a letter on Monday from a bipartisan group of 23 senators and 42 House members expressing support of the "Chips for America" program.

The letter, said the president, notes China's communist party "aggressively plans to reorient and dominate the semiconductor supply chain" and how much money Beijing is pouring into being able to achieve that.

"But I've been saying for some time now, China, and the rest of the world is not waiting. And there's no reason why Americans should wait," Biden said.

Participants at the meeting "emphasized the importance of improving transparency in the semiconductor supply chain to help mitigate current shortages and improving demand forecasting across the supply chain to help mitigate future challenges," according to a White House statement issued Monday evening. "They also discussed the importance of encouraging additional semiconductor manufacturing capacity in the United States to make sure we never again face shortages."