

The State of U.S. Supply Chains

BY STEVEN OVERLY AND ANNETTE CHOI | 02/04/2022 05:00:00 AM EST

PRO POINTS

- **There is no single supply chain. Products ranging from cars to computers to crops face unique labor and manufacturing challenges, though they grapple with a common bottleneck when trying to get onto container ships and into U.S. ports.**
- **Some product shortages have simply been a nuisance for consumers and businesses, such as hard-to-find holiday gifts. But others raise more serious national and economic security concerns, such as shortages of meat and semiconductors.**
- **President Joe Biden commissioned a review of critical supply chains early in his tenure that yielded recommendations for short- and long-term solutions. He then appointed a senior-level task force in June to implement the fixes.**
- **Consumers and companies have not only found certain products more scarce due to supply chain issues, but those remaining products have become more expensive. That's creating a political headache for Democrats ahead of midterm elections this year.**

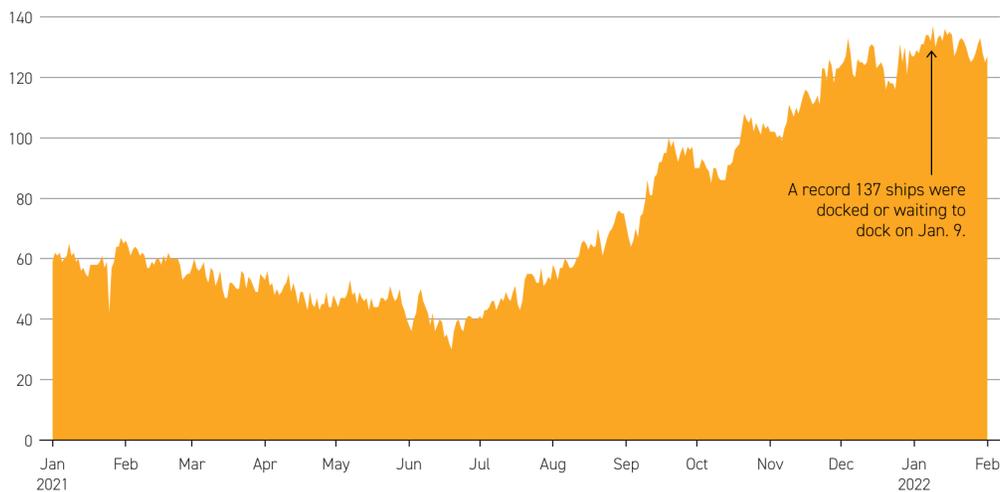
HOW WE GOT HERE

The coronavirus pandemic disrupted every aspect of daily life and how people spent their money was no exception. With restaurants, theaters, sporting events and travel largely shut down, especially in the early days, shoppers started to spend more on consumer goods just as the virus forced factories to close or slow production.

That has led to a rush of imports that began in 2020 and picked up steam last year, placing the global supply chain under unprecedented strain. Importers and exporters have struggled to move products from factories to store shelves. And beyond the logistical hurdles, Covid-19 outbreaks, weather events and other factors have created kinks in the system.

Southern California ports face unprecedented backlog

Number of container ships docked and waiting to dock at the ports of Los Angeles and Long Beach



Source: Marine Exchange of Southern California
Annette Choi / POLITICO

In February, President Joe Biden signed an executive order calling for a 100-day review of critical supply chains, including semiconductors and

medical supplies. The results of that review were released in June and Biden appointed a handful of White House staff and cabinet secretaries to get supply chains moving again.

The administration found few immediate actions the government could take on its own, in part because private companies operate most segments of the supply chain. But a newly installed ports envoy pushed transportation companies to make changes, including moves to expand port hours and impose fees on slow movers. The administration also targeted critical industries by bringing together their CEOs to exchange information with the government acting as an honest broker.

Long term, the Biden administration has leaned into one area where federal involvement really matters: money. The [Bipartisan Infrastructure Package](#) includes dollars to expand and modernize ports. [China competition legislation](#) on Capitol Hill contains \$52 billion for domestic research and manufacturing of microchips.

WHAT'S NEXT

Supply chain issues like the backup at the ports continue to be a problem, though data show the number of container ships waiting to dock has started to dip in recent weeks. Still, it's unclear whether that recent downward trend will persist as new obstacles are expected to emerge.

The Chinese New Year that started Feb. 1 presents challenges for U.S. importers as factories across China shut down to celebrate. Demand for shipping containers is also expected to increase as retailers restock after the winter holidays and get an early jump on their products for next Christmas. Hanging over all of this is the economic uncertainty caused by new coronavirus variants.

Cost of shipping containers from Asia drops from fall peak

Median price of shipping one container from China/East Asia to the North American west coast



Source: Freightos
Annette Choi / POLITICO

Supply chain observers have tried for at least the past year to predict when the disruptions will ease, and those predictions keep getting further out. What has become clear, however, is that many challenges will persist into the year ahead.



POWER PLAYERS

- **Brian Deese, director, National Economic Council:** Deese was tapped as the White House's point person on supply chain issues and helps to oversee administration-wide efforts to get the gears unstuck. He's had help from key West Wing players, including deputy director Sameera Fazili and special assistant Liz Reynolds.
- **Gina Raimondo, Commerce secretary:** Raimondo has also been a visible presence on supply chain issues, making both public speeches and closed-door appeals to lawmakers. Her big focus has been the semiconductor shortage, making appeals to the industry to be more transparent and to Congress to fund domestic manufacturing.
- **Pete Buttigieg, Transportation secretary:** Snarls facing the country's transportation systems, such as ports, railways and trucking, have largely been Buttigieg's domain. That's perhaps the biggest piece of the supply chain puzzle, and he's made trips to California and Georgia touting the administration's work.
- **John Porcari, port envoy:** A former DOT official, Porcari was asked to be the administration's chief interlocutor with the industries that make U.S. ports function. He has won praise for corralling private sector players that otherwise did not communicate and helping to improve port performance.
- **Gene Seroka, executive director, Port of Los Angeles:** The supply chain crisis thrust Seroka into the spotlight. He manages the country's largest port, which processed record-level imports last year. Los Angeles, along with its neighboring port in Long Beach, Calif., has struggled with unprecedented backlogs.