



The Jones Act blocks China’s plan for Global Domination

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“He who controls the sea controls everything.”

--Themistocles of Athens, circa 500 BC

*“Without shipping there would be no clothes, food, paper, or fuel. . . .
the world would not work.”*

Ninety Percent of Everything, by Rose George, 2013

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INTRODUCTION: America Should Protect Its Own People and Interests

A national sentiment has recently revived which elitists for years have discouraged. This is the sentiment that America should promote its own interests, despite the globalist trend which gives the country’s needs a lower priority.

One example is the Jones Act. This long-standing law is under attack because the act favors U.S. interests within its own borders. The law essentially requires that cargoes traveling from one U.S. port to another must be carried on vessels that are American-owned, American-built, and American-crewed. But it does not apply to international shipping and trade.

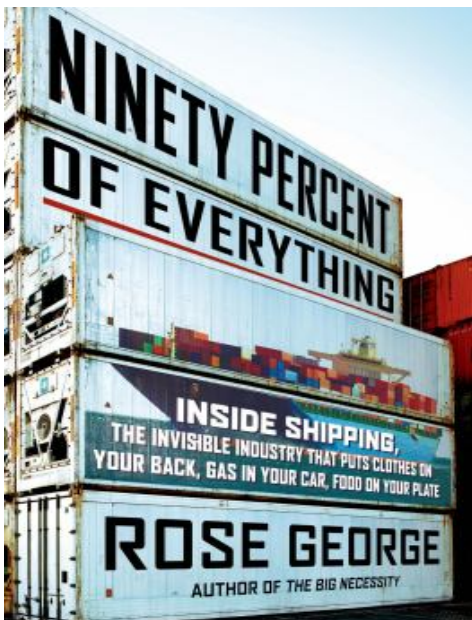
The Jones Act must be appreciated in context. And it must be preserved.

The philosophy of "America First" is disparaged as being nationalistic; this ignores the key point that nationalism is not about money or military power. First and foremost, it promotes this country's values and economic interests.

For instance, the coronavirus outbreak has increased awareness that it can be dangerous to depend on China to provide the makings of pharmaceuticals, and how risky it is when businesses large and small have their supply chains disturbed because factories abroad become idled. Overseas diseases can disrupt America just as surely as wars, political or social upheavals.

"America First" patriotism is not blind jingoism. It is not linked to any particular race. It encompasses all religions. It promotes national principles that include self-governance, equality before the law, and human rights. It promotes economic security for the people in the United States of America, and elevates their interest above those of foreign lands.

Globalism, however, considers all nations the same, treating oppressive regimes as deserving equal value with democracies, and totalitarianism as the moral equivalent of constitutional rights. Or it asserts that pursuing the well-being of a country's own people is somehow immoral.



Critics of the Jones Act ignore the protection of American values and national interests, arguing as though U.S. law should only consider money.¹ Their objection to the Jones Act is that some companies might save on shipping costs if foreign interests were allowed to handle domestic freight. The critics also ignore how China in particular has launched a massive plan to dominate the world's oceans and to control the essential sector of transporting goods.

In short, America has become dependent on foreign countries to carry goods to and from the U.S., thus controlling global trade **because 90% of global trade goes by ship.** Only the Jones Act blocks countries from spreading their monopoly to include the waterways within U.S. borders.

¹ The Cato Institute is heading a campaign to challenge the Jones Act, mostly with claims that its pro-American requirements increase the costs of moving goods by ship between American ports. Cato essentially opposes all forms of tariffs, whether they be designed to raise income or in response to tariffs or policies of other countries such as China. Cato is a libertarian think tank, with [most-recently-reported](#) annual revenues of \$31.1-million and assets of \$84.3-

The Jones Act Is Being Attacked Although It Protects American Interests

For 100 years, a pro-American law known as the Jones Act² has served national interests without controversy. But recently a campaign to challenge the Jones Act has been launched, based on claims that its pro-American requirements increase the costs of moving goods by ship between American ports.

The campaign disregards America's national interests; it promotes a pure *laissez-faire* approach by the U.S. regardless of whether competing countries will support free trade. It ignores the enormous subsidies, protective tariffs, exclusionary tariffs and policies of other countries which disadvantage American businesses. Promoters oppose all forms of American tariffs, especially those of President Donald Trump³, even when they are in response to tariffs enacted by other countries.

A Jones Act repeal would sacrifice America's borders and America's interests, allowing heavily-subsidized foreign shipping within domestic U.S. waters as well as international waters. The rationale is simplistic: Businesses might save money by using shipping offered by nations which undercut competition by subsidizing the building and operating of huge craft, and which offer foreign flags of convenience that often ignore safety and other standards.

This competition from other countries should not be labeled as free enterprise. For example, China dominates shipbuilding by using their state-owned enterprises and subsidies, weak labor protections and cheap or even slave labor, plus lavishing government money to subsidize operating costs of cargo ships.

"The **Capitalists** will sell
us the **rope** with which we
will **hang** them."

- Vladimir Lenin



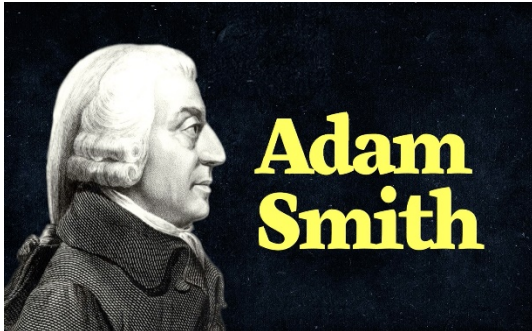
For those whose sole criteria is lower costs, China has much to offer. China's communism and human rights record can be disregarded if money is all that matters. According to the infamous quote attributed to Vladimir Lenin⁴, capitalists would eagerly sell rope to the communists and then be hung by that rope.

million. <https://www.cato.org/sites/cato.org/files/pubs/pdf/cato-annual-report-2018-updated.pdf>, accessed March 22, 2020.

² Technically part of the Merchant Marine Act of 1920.

³ For example, <https://www.cato.org/publications/commentary/trump-tariffs-consistent-consistently-wrong>, accessed March 11, 2020.

⁴ Some will debate whether Lenin or Stalin said this first, but the point is clear either way



For those who cherish America's values and system of government, other issues are paramount. Protecting America's shipping interests was promoted by that father of capitalism, Adam Smith. He wrote in The Wealth of Nations that a country should protect its maritime trade from foreign competition. Smith saw economies as a servant of national interest.

The principle extends beyond ships. Foreign air carriers can fly between U.S. airports and those in other countries but cannot fly purely-domestic routes. Foreign trucks face restrictions on operating within our borders.

The Three Fleets That Are Vital to the United States

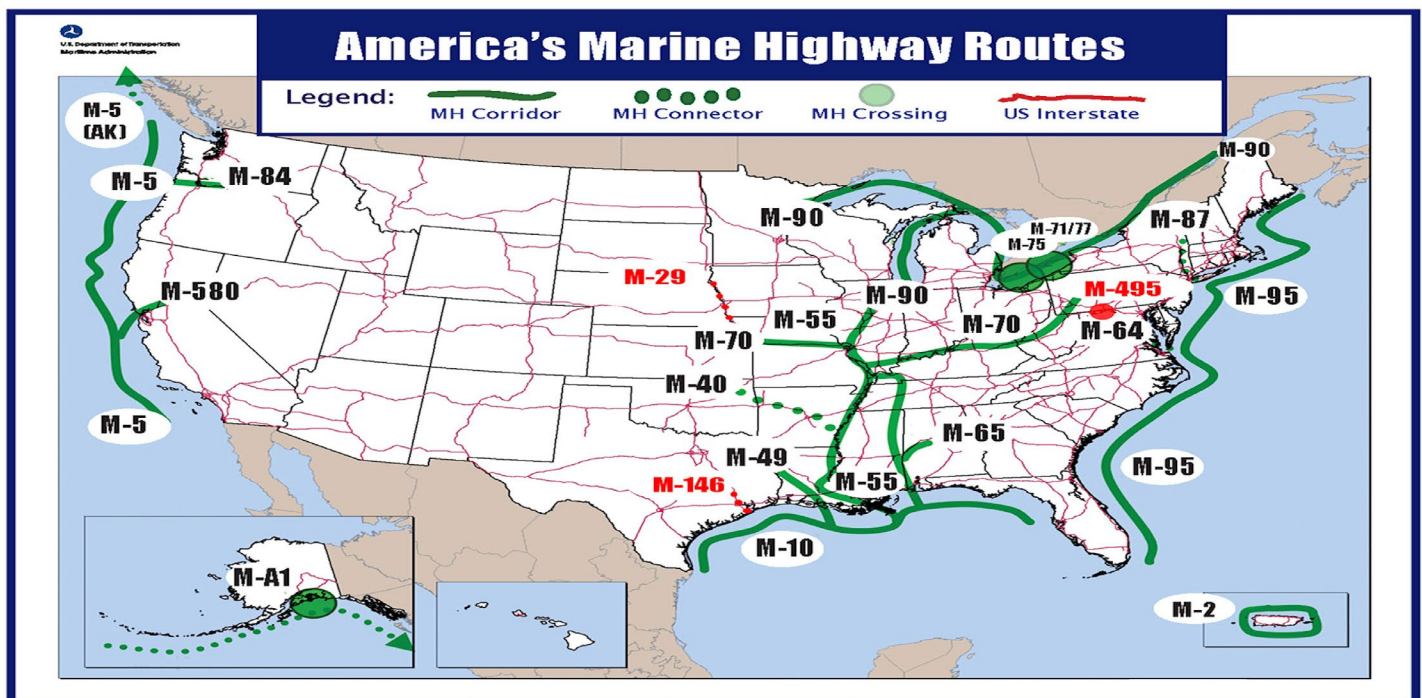
Three fleets of ships are vital to America's national and economic security.

- The first fleet is the U.S. Navy, the mightiest ever assembled. It would be unthinkable to build these ships anywhere but in American shipyards, dotted around the coasts from Groton to Newport News, to Pascagoula, San Diego, and elsewhere. Federal law prevents outsourcing our fleet to foreign shipyards.
- The second fleet is the ocean-going vessels which carry 90% of the world's trade aboard container ships, tankers, grain carriers and more. Typically they are at least 400 feet in length and have a capacity of 10,000 or more gross tons. About 41,000 of these operate worldwide, but are rarely built, owned, or crewed by Americans. China and other Asian nations dominate this fleet.
- The third fleet is the 40,000 vessels engaged in domestic trade within U.S. borders and sailing between American ports. Ore carriers on the Great Lakes, giant barges plying the Mississippi and other rivers, goods moving along inland waterways, and powerful tugboats within our harbors are examples of these. Like the U.S. Navy and because of the Jones Act, these are American-built, owned and crewed.



Where would foreign flags be flying without the Jones Act that governs these 40,000 domestic vessels? As explained by MARAD (the Maritime Administration within the U.S. Department of Transportation):

Domestic waterborne transportation is . . . between ports, coastlines and almost all states and territories -- including Alaska, Hawaii, and Puerto Rico. Each year, tens of thousands of vessels transport over a billion tons of cargo, with hundreds of ferry operators transporting millions of passengers, contributing billions to our nation's economy through freight and passenger revenue, taxes and private investment. . . . To ensure the survival of this key industry, Congress has passed legislation (the Jones Act) reserving this waterborne domestic trade to specific U.S. vessels.⁵



⁵ <https://www.maritime.dot.gov/ports/domestic-shipping/domestic-shipping>, accessed March 11, 2020

China in particular is poised to expand into American waterways if the Jones Act restrictions were ended. It is in the midst of a multi-year effort of subsidy-filled shipbuilding dominance and an aggressive “Belt and Road” plan to take over waterways worldwide (detailed later).

The Jones Act Follows the Principles of ‘Buy America’ Laws

The Transportation Institute describes⁶ the primary requirements which the Jones Act places on vessels carrying goods between U.S. ports. The vessels must be:

- Owned by U.S. companies that are controlled by U.S. citizens with at least 75 percent U.S. percent ownership
- At least 75 percent crewed by U.S. citizens
- Built (or rebuilt) in the United States
- Registered in the United States, and
- These requirements apply to all trade between ports in the U.S. mainland, Alaska, Hawaii, and Puerto Rico. While excluded from the Jones Act, the outlying territories, such as Guam, are covered by similar laws that require vessels be U.S.-flagged, owned, and crewed, but do not include the U.S.-build requirement.

This is consistent with “Buy America” laws which are commonly applied in other sectors of the economy. For example:

As reported by the Congressional Research Service of the Library of Congress, “Two U.S. laws require the Department of Defense (DOD) and some agencies of the Department of Homeland Security (DHS) to purchase only domestic products for certain military and nonmilitary purposes. . . . Supporters argue they help preserve the U.S. industrial base and create domestic manufacturing jobs. . . . Opponents believe the laws give monopolies to certain companies and . . . are inconsistent with modern supply chains that source components and raw materials from multiple countries.”⁷

Like the Jones Act, these are long-standing; they also have been incorporated into the U.S. Code, as part of the National Defense Authorization Act (Public Law 107-107) and the Homeland Security laws (Public Law 111-5).

⁶ <https://transportationinstitute.org/jones-act/>, accessed March 11, 2020

⁷ *Buying American: The Berry and Kissell Amendments*, Congressional Research Service, February 5, 2020

Similarly, “Buy America in transportation dates to the Surface Transportation Assistance Act of 1978 (Public Law 95-599) and . . . the Buy American Act of 1933, which applies to direct purchases by the federal government.”⁸

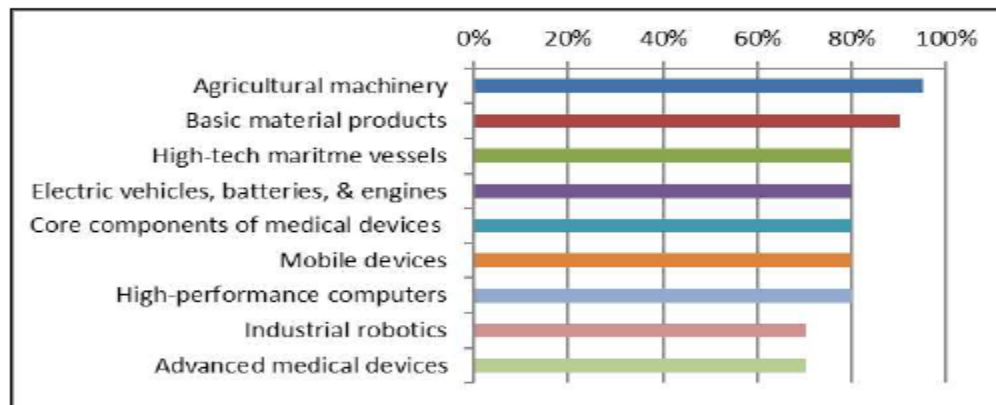
And “statements and actions by the Trump Administration about reinvigorating domestic manufacture and investing in infrastructure have stimulated renewed interest in Buy America.”⁹

Protective Policies Dominate in International Transportation

Rather than only protecting trade in their domestic waters (with “cabotage” laws), other nations are using government resources to create advantages in international trade waters.

China seeks both sets of advantage. It has the Made-In-China MIC 2025 initiative: “In September 2015, the Chinese government released Area Technology Roadmap, which includes domestic content goals for several of the 10 sectors targeted (see Figure 1). Some critics contend that such targets constitute an import substitution plan that will likely hurt foreign high technology suppliers and may violate World Trade Organization rules.”¹⁰

Figure 1. Various MIC 2025 Domestic Content Goals



International bodies are unsuccessful in enforcing free and fair trade. In April of 2019 the World Trade Organization issued a finding that European countries have been improperly subsidizing aircraft build by Airbus, hurting the U.S. aviation industry. **However, making that decision took the WTO 14 ½ years (since October of 2004)** and meantime America's builders

⁸ *Buy America, Transportation Infrastructure and American Manufacturing*, Congressional Research Service, April 7, 2017

⁹ *Effects of Buying America on Transportation Infrastructure and U.S. Manufacturing*, Congressional Research Service, July 2, 2019

¹⁰ *The Made in China 2025 Initiative: Economic Implications for the United States*, Congressional Research Service, April 12, 2019

of aircraft, jet engines, etc., were harmed by the foreign competition.¹¹ Multiply Europe's \$21-billion annual commercial aircraft subsidies by 15 years in bureaucratic limbo and it's understandable why the Trump Administration has begun assessing tariffs on European goods in response (tariffs which the WTO approved as being justified).

There's more. Government-owned airlines in the Middle East—Emirates, Eithad Airways and Qatar Airways—are receiving \$52-billion in subsidies which help them to take traffic and jobs away from U.S. air carriers.¹²

But maritime shipping is an even larger and more critical industry because it carries 90% of the world's cargo—container ships full of consumer goods, agricultural products, machinery, parts, oil and gas tankers, bulk freighters filled with grains, in short everything.

Although China by far is the largest government subsidizer of shipbuilding, it is not alone:

- India provides a shipbuilding subsidy of 20-percent of the contract price
- France recently nationalized its largest shipyard (Saint-Nazaire) to protect it from foreign interests
- South Korea's government arranged a \$2.6-billion bailout of shipbuilder Daewoo
- Two WTO complaints have been filed by Japan against South Korea for improper subsidies of its shipbuilding industry.¹³ The European Union since has joined the complaint asking for sanctions and retaliatory tariffs against South Korea.

The U.S. discontinued its own subsidies to shipbuilders during the Reagan Administration

But China's heavy subsidies of shipbuilding are not designed simply to create jobs and to boost their national economy; subsidies are a key element of China's strategic plan to dominate world trade, especially by controlling key areas of international waters.

In 2006 China designated shipbuilding a "strategic industry." Since then, "Chinese subsidies dramatically altered the geography of production and countries' market shares," as reported in a Harvard study.¹⁴ That study concluded that this gives them an estimated 13-20% advantage in ship construction costs, which is boosted further by lower wages and regulations.

¹¹ WTO issues final ruling in Airbus subsidies case, <https://www.boeing.com/features/2018/05/wto-ruling-05-18.page>, accessed March 11, 2020

¹² <http://www.openandfairskies.com/subsidies>, accessed March 11, 2020

¹³ Japan initiates second WTO dispute complaint regarding Korean support for shipbuilders, https://www.wto.org/english/news_e/news20_e/ds594rfc_06feb20_e.htm, accessed March 11, 2020

¹⁴ <https://microeconomicinsights.org/chinas-hidden-shipbuilding-subsidies-impact-industrial-dominance/>, accessed March 11, 2020

Plus, China then subsidizes the operating costs of these ships by an estimated \$7-million per ship per year.¹⁵

11 April 2018

International Trade

Authors: Myrto Kalouptsidi (Harvard University)

China's hidden shipbuilding subsidies and their impact on its industrial dominance

China Builds About 2,000 Merchant Ships A Year; the USA builds 8

The success of China's vast shipbuilding subsidies is shown by the fact that [of 2,873 new ocean-going ships now under construction \(as tracked by the shipbrokers BRS Group\)](#), China is building 1,291 of them, Japan 697 and South Korea 475. The United States? Only 8.¹⁶

Rank	Country	Current Commercial Ship Construction
1	China	1,291
2	Japan	697
3	South Korea	475
4	Bangladesh	56
5	Italy	49
6	Russia	45
7	Vietnam	42
8	Norway	35
9	Turkey	33
10	Netherlands	31
11	Germany	29
12	Taiwan	18
13	India	16
14	France	10
15	Brazil	10
16	Indonesia	10
17	United States	8
18	Poland	6
19	Australia	6
20	Romania	6
	TOTAL	2,873

Source: BRS' Group's 2019 shipbuilding report



¹⁵ Not-yet published figures from MARAD, the U.S. Maritime Administration of the U.S. Department of Transportation, per September 2019 interview

¹⁶ BRS group, https://www.brsbrokers.com/assets/review_splits/BRS-Review2019-01-Shipbuilding.pdf, and interactive map at <https://www.brsbrokers.com/mintelligence.php>, accessed March 11, 2020

China builds almost 1, 300 merchant ships each year



Of the current international maritime fleet, [U.S. Bureau of Transportation Statistics reports](#) that a mere 182 of over 41,000 ocean-going cargo ships are American (0.4%). The vast majority are from China or other highly-subsidized shipyards in South Korea or Japan. And the smaller the U.S. maritime fleet, the less it can assist our military in times of emergency.

U.S. Department of Transportation
Maritime Administration - Office of Policy and Plans

01/29/2019

Consolidated Fleet Summary and Change List

United States Flag Privately-Owned Merchant Fleet
Oceangoing, Self-Propelled Vessels of 1,000 Gross Tons and Above that Carry Cargo from Port to Port

				MARAD Programs			
Type	Number of Vessels	GT	DWT	Program	Number of Vessels	GT	DWT
Jones Act Eligible	99	3,452,100	4,845,720	MSP	60	3,124,004	2,788,365
Non-Jones Act Eligible	83	3,661,880	3,431,533	VISA	89	3,802,486	3,263,760
Total U.S.-Flag Fleet	182	7,113,980	8,277,253	VTA	4	112,870	188,646
U.S.-Flag Fleet Overall				Jones Act Eligible			
Ship Type	Number of Vessels	GT	DWT	Ship Type	Number of Vessels	GT	DWT
Containership	65	2,859,603	3,166,332	Containership	24	741,711	754,424
Dry Bulk	5	130,686	226,672	Dry Bulk	2	44,252	73,658
General Cargo	21	174,951	179,972	General Cargo	9	18,565	15,602
Ro-Ro	28	1,466,945	594,572	Ro-Ro	7	314,608	139,288
Tanker	63	2,481,795	4,109,705	Tanker	57	2,332,964	3,862,748
Total U.S.-Flag Fleet	182	7,113,980	8,277,253	Total Jones Act Eligible	99	3,452,100	4,845,720
Non-Jones Act Eligible				Militarily-Useful			
Ship Type	Number of Vessels	GT	DWT	Ship Type	Number of Vessels	GT	DWT
Containership	41	2,117,892	2,411,908	Containership	65	2,859,603	3,166,332
Dry Bulk	3	86,434	153,014	General Cargo	14	161,103	168,935
General Cargo	12	156,386	164,370	Ro-Ro	28	1,466,945	594,572
Ro-Ro	21	1,152,337	455,284	Tanker	52	1,487,452	2,399,241
Tanker	6	148,831	246,957	Militarily Useful	159	5,975,103	6,329,080
Non-Jones Act Eligible	83	3,661,880	3,431,533				

GT – Gross Tons
DWT – Deadweight Tons
MSP – Maritime Security Program
VISA – Voluntary Intermodal Sealift Agreement
VTA – Voluntary Tanker Agreement

China's Aggressive Plan to Control the Seas Is Partially Countered by the Jones Act

The Jones Act prevents China from adding America's domestic waters to its list of maritime conquests.

In 2019 China passed Japan to become the world's #2 economic power, second only to the USA. China's shipbuilding subsidies and use of state-run enterprises is a key facet--but only one part--of their plan to dominate the strategic area of ocean trade, aimed at achieving a combination of greater economic power and greater military power.

China's One Belt, One Road



In 2013, President Xi Jinping announced the Belt and Road Initiative (BRI, also known as "One Belt, One Road" or "String of Pearls"), which as of October 2019 involved China with 138 countries in developing international road, rail and maritime infrastructure.¹⁷

The maritime part of the plan is to acquire ownership or control of major ports at strategic locations worldwide. *Forbes* called it a Chinese "shopping spree."¹⁸

Forbes

China's Seaport Shopping Spree: What China Is Winning By Buying Up The World's Ports

forbes.com/sites/wadeshepard/2017/09/06/chinas-seaport-shopping-sprees-whats-happening-as-the-world September 6,, 2017

Although the South China Sea and Indian Ocean portions have received the greatest attention, the effort also extends into ports on both ends of the Panama Canal, in the Mediterranean near the Suez Canal, elsewhere in Europe, in South America, in Africa, the

¹⁷ <https://chinapower.csis.org/china-belt-and-road-initiative/> accessed March 11, 2020

¹⁸ <https://www.forbes.com/sites/wadeshepard/2017/09/06/chinas-seaport-shopping-sprees-whats-happening-as-the-worlds-ports-keep-going-to-china/#510af7814e9d>, accessed March 11, 2020

Middle East, the Indian Ocean and of course the hotbed of the South China Sea—thereby covering the major global shipping lanes and chokepoints.

China even has designs upon North America and had a major foothold here until the Trump Administration forced China to divest its \$1.8-billion interest in the major shipping terminal at the Port of Long Beach, California.¹⁹

Many of China's port acquisitions have military potential as well as trade use and all-important locations at maritime chokepoints. A partial list includes:

- China loaned billions to Sri Lanka, astride the Indian Ocean trade routes, to build a new port—which China re-possessed and got a 99-year lease when Sri Lanka defaulted.²⁰
- The loan-a-lot and then-repo-it strategy worked again in Pakistan as China invested \$10-billion and now controls the port of Gwadar on the Arabian Sea oil routes.²¹
- The port in Darwin, Australia, is now under a 99-year-lease to the Chinese, who paid half a billion dollars for it.²²
- At the Red Sea entrance to the Suez Canal, China now has a port in Djibouti on the African Horn, the largest port on that continent.²³
- Over a dozen ports in Europe now have partial Chinese ownership, including the Greek port of Piraeus at the northern approach to the Suez Canal.²⁴
- At each end of the Panama Canal is a Chinese-controlled port²⁵
- For \$920-million, China took over the second-largest container port in Brazil.²⁶

¹⁹ <https://www.universalcargo.com/u-s-forces-china-out-of-port-of-long-beach-terminal-ownership/>, accessed March 11, 2020

²⁰ <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>, accessed March 11, 2020

²¹ <https://www.livemint.com/news/world/pak-owes-10-bn-debt-to-china-for-gwadar-port-other-projects-top-us-general-1552666074599.html>, accessed March 11, 2020

²² <https://www.abc.net.au/news/2019-03-19/can-darwin-port-99-year-lease-china-be-reversed-andrew-robb-role/10912478>, accessed March 11, 2020

²³ https://www.washingtonpost.com/world/africa/in-strategic-djibouti-a-microcosm-of-chinas-growing-foothold-in-africa/2019/12/29/a6e664ea-beab-11e9-a8b0-7ed8a0d5dc5d_story.html, accessed March 11, 2020

²⁴ <https://www.npr.org/2018/10/09/642587456/chinese-firms-now-hold-stakes-in-over-a-dozen-european-ports>, accessed March 11, 2020

²⁵ <https://www.reuters.com/article/us-panama-china/panama-china-sign-accords-on-xi-visit-after-diplomatic-ties-start-idUSKBN1O22PE>, accessed March 11, 2020, and

<https://www.chinadaily.com.cn/a/201811/30/WS5c0097ada310eff30328bfc5.html>, accessed March 11, 2020

²⁶ <https://www.scmp.com/business/companies/article/2109592/china-merchants-port-buy-brazils-second-largest-container-port>, accessed March 11, 2020

One thing China cannot do, however, is expand into the all-important domestic trade waters of the United States, because the Jones Act prohibits it.

CONCLUSION

Repealing the Jones Act would be an American surrender to nations which want a global maritime monopoly, making the United States dependent upon foreign powers in order to engage in the 90% of global trade which goes by ship.

America's interests are not all about money and finding the cheapest prices for transporting freight, at the expense of self-sufficiency and preserving principles.

Opponents of the Jones Act argue that we can save money if we turn over our domestic cargo to foreign-subsidized fleets. That would be surrender, not savings. We would sell our national and homeland security to save a few dollars

It also would reduce the supply of American-flagged vessels aided by the Jones Act and which can be converted to military use whenever necessary, as has happened many times in U.S. history

As Themistocles of Athens said back about 500 B.C., "He who controls the sea controls everything."

One thing China cannot do is expand into the all-important domestic trade waters of the United States, because the Jones Act prohibits it.