

## National experts discuss the Jones Act at Hughes Center for Public Policy panel event

For Immediate Release

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**Galloway, N.J.** – A panel of distinguished experts and practitioners discussed trade policy, energy supply, national security, and shipbuilding at an event hosted by the [William J. Hughes Center for Public Policy at Stockton University](#).

The Jones Act, a law meant to ensure readiness for war and prop up American shipbuilding, requires all goods shipped between domestic ports to be carried by vessels that are U.S.-built, owned, and operated. The purpose of the panel event was to discuss the broader impacts of the protectionist law and options to change it.

Panelists included Colin Grabow of the Cato Institute, the leading expert on the Jones Act, Paul S. Koffsky, former Senior Deputy Counsel of the Department of Defense, who provided a national security perspective, and Eduardo Bhatia, former President of the Senate of Puerto Rico, who shared how Puerto Rican citizens are affected by the law. Stockton senior Camille Benoit provided a student's voice. The panel was moderated by Rear Admiral Kevin Sweeney, former Chief of Staff to Secretary of Defense James Mattis.

### **Economy and trade**

With so few Jones Act-compliant ships, the law makes water transport within the U.S. more expensive. "We've taken what should be an incredibly efficient means of moving goods and made it an option of last resort," Grabow lamented.

Grabow noted that without the Jones Act, domestic markets could open up for U.S. businesses. Timber in the Pacific Northwest could better compete with Canadian companies nearby and the West Coast could buy more steel from American mills.

"We slap tariffs on foreign steel to try to boost the industry. How about we give U.S. steel access to efficient transportation?" he said.

"Ultimately, the Jones Act is a trade barrier to Americans doing business with other Americans. It tilts the playing field away from American businesses and toward foreign sources," Grabow said. "I don't have a problem with imports. I'm a free trader. But I have no idea why U.S. policy would be putting American businesses on the backfoot."

“Once you factor in the cost of transportation it doesn’t make any sense to buy American. There are also extreme examples where it’s not just more expensive to buy American, you *can’t* buy American,” Grabow said.

### **Impact on the energy sector**

One such example is liquified natural gas. The U.S. is a leading exporter of liquified natural gas (LNG), and yet places along the East Coast and Hawaii buy it elsewhere because there are no Jones Act-compliant ships to transport it from U.S. ports.

“If there’s one sector in the U.S. economy the Jones Act affects more than any other, it might be energy,” Grabow said. He cited a National Bureau of Economic Research report that found that without the Jones Act, East Coast consumers would have benefited by \$769 million per year.

### **National security considerations**

The intent of the Jones Act is to foster a robust shipyard industrial base which is critical to national security during wartime. However, Grabow argued it has not achieved that goal.

“We live in the world’s most advanced, most innovative, most dynamic economy. We are a manufacturing powerhouse. And yet, when it comes to shipbuilding, we are just an also-ran,” Grabow said.

Additionally, according to Koffsky, the national defense rationale for the Jones Act has weakened since the early 20th century since the U.S. now delivers military personnel to war zones by air rather than ship.

“In fact, in the weeks that it would take to deliver troops by ship, very often, these conflicts would be over,” Koffsky said. “We also have a national security interest in securing an adequate or good standard of living for our fellow citizens in noncontiguous areas, and the effect of the Jones Act is to drive up prices dramatically in those areas. That is hard to reconcile given the dubious benefits that the Jones Act provides.”

### **Impact on Puerto Rico and other non-contiguous U.S. territories**

The panelists cited a 2012 Federal Reserve Bank of New York study, which found that it would cost twice as much to ship a 20-foot container of household goods and commercial products from the East Coast to San Juan, Puerto Rico than it would to Jamaica or the Dominican Republic.

“We have kind of a self-induced inflation for goods that come from the United States. The poorest jurisdiction within the United States has higher prices because of a law that is supposed to defend and protect national security,” Bhatia said. “Yes, we all have to pay our fair share to defend and protect the U.S., but is [the law] really doing that?”

The law also impacts disaster relief. Speaking on the devastation in the Caribbean caused by Hurricane Maria in 2017, Bhatia explained how Puerto Rico was disadvantaged by the Jones Act. As residents were facing year-long power outages, the longest blackout ever in a U.S. territory, they faced energy supply restrictions.

“The Dominican Republic went through the same hurricane next door and could buy LNG [to power their generators] from Houston, Louisiana, and Mississippi, and we could not because there have been no ships built in the U.S. that transport LNG in the last 50 years,” Bhatia said. “People who are not U.S. citizens can buy gas from the United States and U.S. citizens cannot. How absurd is that?”

### **Looking ahead**

The panelists recognized there are powerful supporters of the Jones Act on both sides of the aisle, from shipyard owners to labor unions.

“That’s probably one of the few issues in Washington today where you can get some consensus,” Koffsky said.

As they considered the way forward, Sweeney noted that without the Jones Act, the domestic shipbuilding industry would not be able to compete globally.

“If we repeal the Jones Act, we would not overnight change the shipbuilding capabilities here in the U.S.,” Sweeney said. “We do have three major commercial shipbuilding facilities here, including in Philadelphia. Those are real jobs.”

In President Trump’s recent address to Congress, he said his administration intends to revitalize the commercial and military shipbuilding industries. He announced his plan to create a new office of shipbuilding in the White House which will offer tax incentives to bolster the industry.

In the meantime, as a Jones Act repeal remains unlikely, panelists relayed some compromises proposed recently by members of Congress, such as the bipartisan Noncontiguous Shipping Relief Act which would exempt noncontiguous U.S. locations, which rely on water transport, from the Jones Act. Panelists noted that the executive branch has the authority to flesh out the details of the statute and could loosen the current restrictions while giving the shipbuilding industry adequate time to prepare for more competition.

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### **About the Hughes Center**

The [William J. Hughes Center for Public Policy at Stockton University](#) serves as a catalyst for research, analysis and innovative policy solutions on the economic, social and cultural issues facing New Jersey, and promotes civic engagement. The center aims to provide a forum for the discussion of important policy issues to engage the public and policymakers alike. It also houses the [Stockton Polling Institute](#) to give voice to New Jerseyans in these discussions.