



# HOW TO SOLVE AMERICA'S SHIPBUILDING CRISIS

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A CPA ECONOMICS REPORT

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## Key Points

- **The U.S. shipbuilding base has withered:** After federal subsidies were cut in 1982, U.S. commercial ship production (i.e. large oceangoing vessels over 1,000 gross tons) fell from about 20 vessels a year to just five over the next eight years. By the 1990s, America's share of global commercial tonnage had sunk from 1.1% in 1988 to just 0.25%, with roughly 75,000 shipbuilding jobs lost.
- **China's rise was fueled by massive subsidies:** Between 2006 and 2018, Chinese shipyards received an estimated \$91-132 billion in direct state support. That industrial policy enabled Beijing to capture 55% of global shipbuilding by 2024, eclipsing South Korea and Japan combined.
- **China dominates ports and supply chains:** Chinese state-owned enterprises hold stakes in at least 96 overseas ports, with 17 majority-owned and 14 capable of servicing naval ships. At the same time, China manufactures 95% of the world's shipping containers, 86% of intermodal chassis, and 70% of port cranes, giving it unrivaled leverage over maritime logistics.
- **Consolidation gave China unmatched scale:** In 2019, Beijing merged its two largest state-owned shipbuilders, CSSC and CSIC, creating the world's largest conglomerate with over 300 subsidiaries and control of roughly 20% of global shipbuilding capacity. These consolidated yards serve as dual-use facilities, building both commercial ships and advanced naval vessels side by side.
- **The U.S. needs a comprehensive response:** This report recommends strengthening and expanding the Jones Act—which, alongside Navy contracts, have preserved U.S. industrial capacity—establishing a Shipbuilding Industrial Fund, and creating tax incentives for new yard modernization. It also backs USTR's proposal requiring exporters to use U.S.-flagged vessels for up to 15% of shipments by 2032, imposing port fees on Chinese-built ships, and advancing allied projects like the U.S.-Canada-Finland "ICE Pact" to co-produce polar icebreakers.

## Introduction

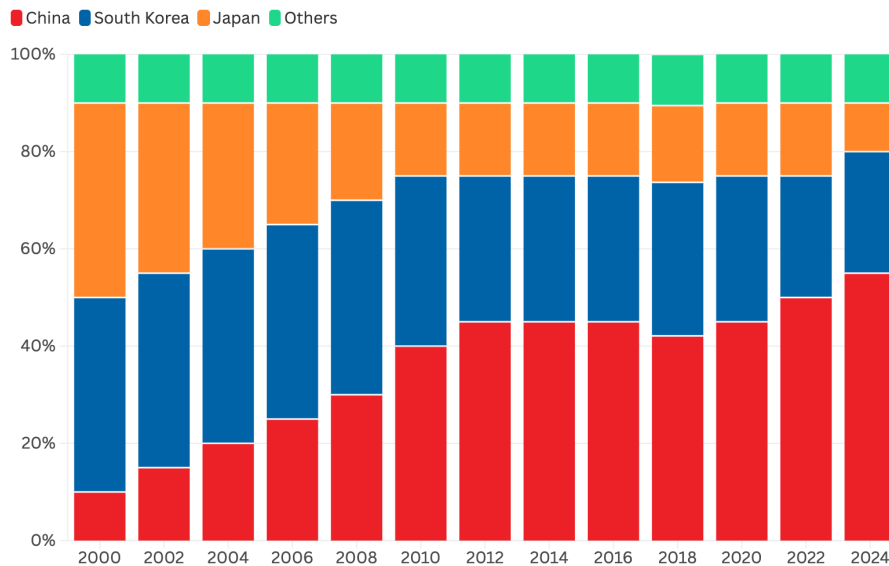
America's shipbuilding industry faces a strategic crisis. Decades of decline, owing to failed globalist policies, has transformed the United States from the world's leading shipbuilder in 1975 to its 19th [largest](#). In sharp contrast, China has spent the last two-and-a-half-decades methodically expanding its maritime dominance through state-driven industrial policies, massive subsidies, and strategic investments. The U.S. now produces fewer than five large commercial vessels (i.e. large oceangoing vessels over 1,000 gross tons) per [year](#), while China builds over 1,700 annually.<sup>1</sup> Further, Beijing now accounts for over [50%](#) of the global shipbuilding market (up from around 5% in 2000) (figure 1).

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<sup>1</sup>It should be noted that U.S. shipyards also produce a wide range of smaller craft—including Articulated Tug-Barges (ATBs), ferries, and offshore support vessels—that are critical for domestic commerce. Moreover, the Jones Act fleet, which will be discussed later in this report, includes more than [40,000](#) vessels of various types, which collectively support U.S. jobs, inland and coastal trade, and promotes supply chain resilience.

## Figure 1: China Accounts for More Than Half of Global Ship Deliveries

Beijing has filled the gap left by vessel-building nations



Source: Clarksons • Percentage represents portion of global total in deadweight tons.

China's shipbuilding strategy has served two aims: (1) global port dominance to achieve control over global supply chains and (2) shipyard consolidation and a deepening military-civil fusion that integrates commercial and military shipbuilding. Together, these strategies have entrenched China as both the world's top commercial shipbuilder and the world's largest and fastest growing naval power.

The geopolitical stakes of this imbalance are high for a few reasons. First, some 90% of military cargo is [transported](#) by sea and the dwindling U.S. merchant fleet has left the country reliant on foreign ships for commerce and military [sealift](#). In addition, the rapid melting of Arctic sea ice is transforming the region into a new strategic arena. Studies project that Arctic sea lanes could shorten transit times by 30-50 [percent](#) compared to the Suez and Panama routes, unlocking faster commerce between Asia, Europe, and North America.

Just as important, the Arctic is emerging as a critical [supplier](#) of the minerals needed for critical advanced technology industries and the global renewable energy transition, with 31 of 34 key materials for renewable energy technologies found in the region, from Greenland's vast cobalt and nickel reserves to Alaska's large zinc deposits. However, the Arctic is not only a renewable energy mineral source, but also a strategic frontier for U.S. sovereignty, energy independence, and naval access. Russia and China are both moving quickly to exploit the region's new sea lanes and resource wealth, adding fresh urgency to the need to revive American shipbuilding.

This report first discusses how globalist policies destroyed U.S. shipbuilding, while China invested heavily in their industry. Next, the report focuses on how China's promotion of its shipbuilding sector has translated into its dominance of maritime and logistics sectors and fueled the rise of its navy. The final section discusses how the U.S. can turn the tide, proposing the following solutions: strengthening the Jones Act, which sends a strong demand signal for domestic shipbuilding; investing in domestic shipyards and technology; imposing strategic fees and restrictions on Chinese maritime assets; expanding U.S.-flagged fleets via cargo preferences; and coordinating with allies against unfair practices.



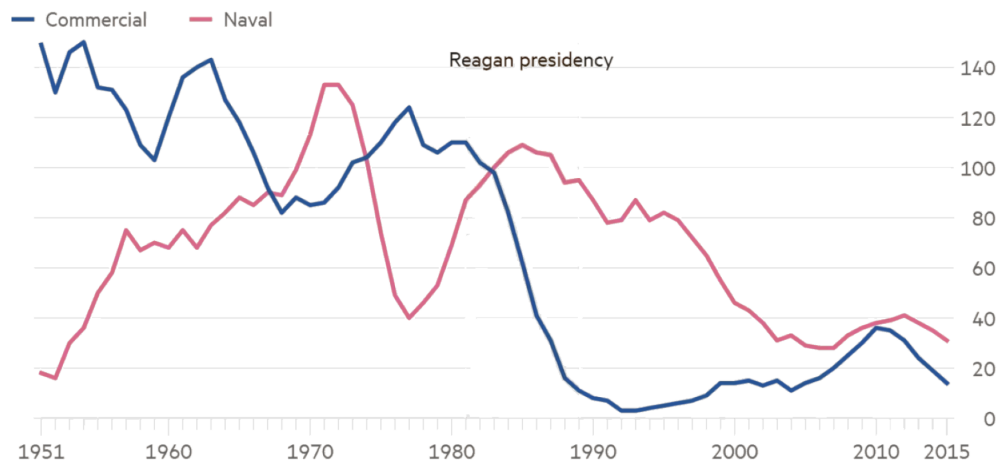
## Globalist Policies Destroyed U.S. Shipbuilding

The erosion of America's shipbuilding industry began in the 1980s, driven by globalist economic policies that withdrew critical government support. In 1982, the Reagan Administration terminated federal shipbuilding subsidies, a decision that caused the U.S. commercial shipbuilding market to collapse virtually [overnight](#).

Stripped of these subsidies, U.S. shipyards suddenly had to compete unaided against foreign shipbuilders that were still heavily subsidized by their [governments](#). Unsurprisingly, American shipyards could not compete on such an uneven playing field. New orders for commercial vessels dried up (plummeting from dozens per year to essentially zero by the end of the decade) as domestic ship owners turned to cheaper overseas [builders](#). By the early 1990s, U.S. shipbuilding had effectively become overly reliant on Navy contracts, with commercial vessel production all but extinct (figure 2).

**Figure 2: U.S. Shipbuilding Declined During the 1980's**

Deliveries of large ships from U.S. yards, rolling total over previous five years



SOURCE: Financial Times / Commercial = over 1000 gross tonnage; Naval = over 1000 long tons

This shift in economics policy, characterized by the removal of government support, devastated America's maritime manufacturing base. After the Reagan administration eliminated shipbuilding subsidies, U.S. output [collapsed](#) from building around 20 large, oceangoing commercial vessels a year to just five over the next eight years, with America's share of global commercial tonnage falling from 1.1% in 1988 to just 0.25% by the end of the 1990s.

At the same time, widespread yard closures and layoffs meant a massive loss of roughly [75,000](#) shipbuilding jobs and the erosion of industrial capacity. Decades of broader deindustrialization compounded the decline, as many raw materials and components needed for ship construction ceased being made in the U.S. due to the shrinking and outsourcing of the American manufacturing [base](#). In effect, U.S. companies began outsourcing their ship production to foreign yards, hollowing out domestic capabilities even further. The removal of government support and increased reliance on international markets had severely undermined U.S. [shipbuilding](#), leaving the country largely reliant on foreign production.

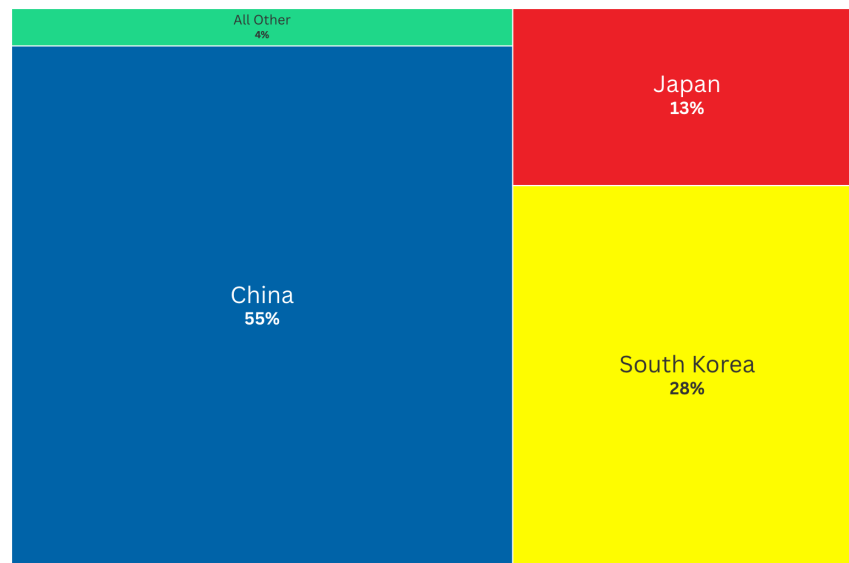
## China Prioritized Shipbuilding Through State Subsidies

China's rise as the world's shipbuilding superpower was no accident. Since the early 2000s, Beijing has executed a deliberate strategy to dominate commercial ship production and related maritime sectors through state-driven [initiatives](#). For example, the U.S. Trade Representative (USTR) estimated that Chinese yards received at least [\\$91 billion](#) in subsidies between 2006–2013. Likewise, the Center for Strategic International Studies suggested that [\\$132 billion](#) worth of aid in the form of state bank lending, bailouts, and cheap steel during 2010–2018.

Two pillars of China's strategic approach have been: (1) Global Port Dominance and Supply Chain Control and (2) Consolidation and Dual-Use Expansion. These efforts, backed by heavy subsidies and national plans like Made in China 2025 and the Belt and Road Initiative, have catapulted China's global position at the expense of [competitors](#), commanding 55% of global ship building as of 2024 (figure 3).

**Figure 3: China Accounts for 55% of the Global Shipbuilding Market**

Ships built by country of building, gross tonnage value, 2024



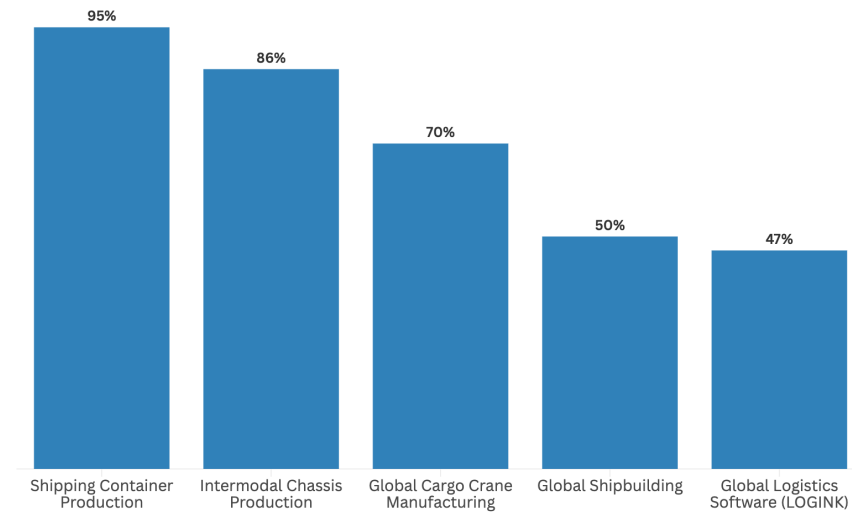
Source: UNCTAD

## Global Port Dominance and Supply Chain Control

A major facet of China's maritime strategy has been securing control over global shipping arteries, affording it leverage in both international commerce and geoeconomics. Chinese state-owned enterprises ([SOEs](#)) have invested in port infrastructure around the world, acquiring stakes or operational control in at least 96 overseas ports, including 36 of the world's top 100 ports by [volume](#). As of mid-2024, Chinese entities have [invested](#) in 129 overseas port projects, including 17 where they hold majority ownership, with 14 of those facilities having the physical capacity to host naval vessels. This growing network of port stakes across nearly every continent and at chokepoints like the Strait of Hormuz and the Suez, underscores China's ability to influence global trade flows. China has also moved to control critical maritime supply chains. Today, Chinese [manufacturers](#) produce an astonishing 95% of the world's shipping containers, 86% of intermodal chassis, and 70% of port cranes (figure 4).

## Figure 4: China's Dominance in Maritime and Logistics Sectors

China's global market share (%), 2023



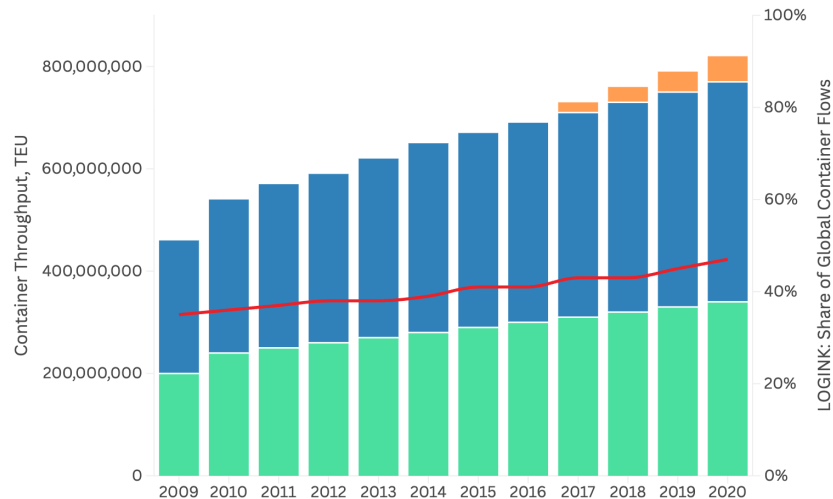
Source: USTR, FT, Baker Institute

Of particular concern is Beijing's promotion of its state-backed digital logistics platform ([LOGINK](#)), which affords access to vast data on cargo movements, as well as sensitive company information about the movement, management, and pricing of goods. LOGINK has come to dominate global logistics management, now commanding nearly half of global market share (figure 5). By dominating ports, equipment, and logistics networks, China is effectively locking in control of maritime supply lines, which it can use to strengthen its own economy and potentially coerce others by exploiting chokepoints or data advantages.

## Figure 5: LOGINK Dominates Global Logistics Management

China's state-sponsored platform has nearly half of global market share

■ LOGINK Global Market Share ■ Non-LOGINK users ■ LOGINK use in China ■ LOGINK use outside China



Source: Rice University's Baker Institute for Public Policy • TEU stands for Twenty-foot Equivalent Unit

## Consolidation and Dual-Use Expansion

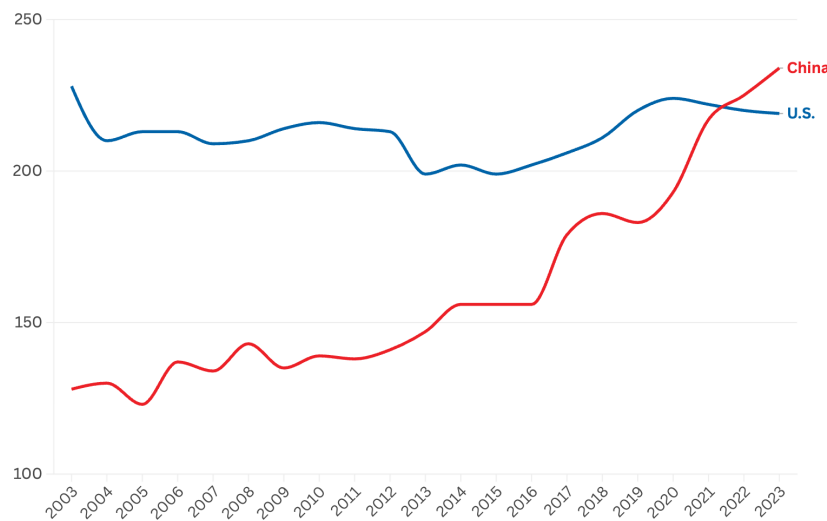
China's rise to dominance in shipbuilding has been fueled by deliberate state-led consolidation and a military-civil fusion strategy. Regarding consolidation, Beijing merged its largest shipbuilders and shipping enterprises to achieve economies of scale and reduce internal [competition](#). In 2019, the two state-owned shipbuilding conglomerates—China State Shipbuilding Corp. (CSSC) and China Shipbuilding Industry Corp. (CSIC)—were [reunified](#) into a single behemoth under the CSSC banner. This merger gave Beijing unmatched scale and production efficiencies that created the world's largest shipbuilder, with more than 300 subsidiaries and control over 20% of global shipbuilding [capacity](#).

In parallel, China merged its major shipping lines: in 2016 COSCO Group and China Shipping Group combined to form China [COSCO](#) Shipping – one of the world's biggest shipping companies – which included the merger of their shipyard divisions into COSCO Shipping Heavy Industry. These mergers give Chinese shipyards a captive domestic market and greater coordination across commercial and naval projects.

Crucially, most of China's top yards operate as dual-use facilities, building both commercial vessels and warships under the "military-civil fusion" (MCF) [doctrine](#). This model erases the divide between civilian and defense production, allowing one to directly support the other. For example, CSSC's sprawling network of over subsidiaries includes key yards like Shanghai's Jiangnan and Hudong-Zhonghua, which construct commercial ships for both export and advanced naval vessels for the PLA [Navy](#). By leveraging the same docks, workers, and supply chains for both purposes, China can rapidly expand its navy at relatively low incremental cost. The country already boasts the largest and fastest-growing navy in the world, with 234 warships to the U.S. Navy's 219 as of 2023 (figure 6).

**Figure 6: China Has the World's Largest Navy**

Maritime fighting force, 2003-2023



Source: CSIS • Active Chinese warships by type: submarines (nuclear-powered ballistic missile, nuclear-powered, and conventionally powered), amphibious assault ships, aircraft carriers, cruisers, destroyers, frigates, and corvettes

The Pentagon notes China is "nearly [self-sufficient](#) for all shipbuilding needs" – a testament to how consolidation and dual-use expansion have created an industrial base that underpins both global trade and military power. Chinese leaders explicitly set consolidation targets over a decade ago (aiming for the top 10 yards to account for over 70% of national output) and met these goals ahead of schedule, overtaking traditional shipbuilding centers in Japan and South Korea during [2010](#).

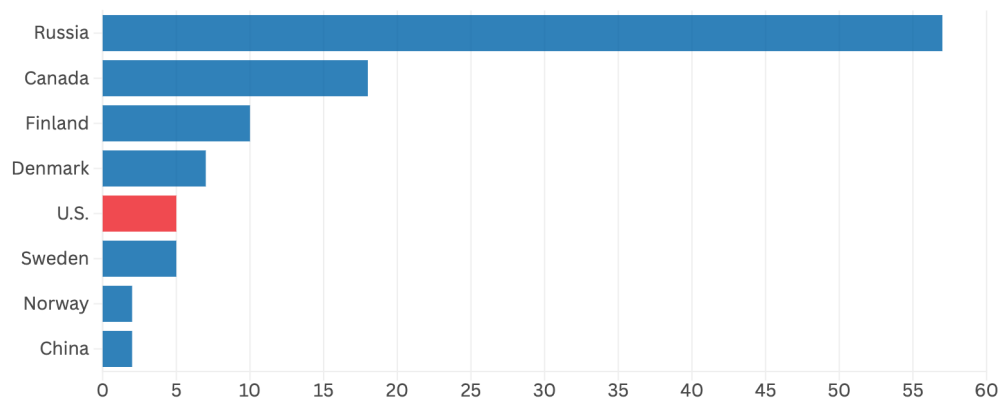
## The Geopolitical Significance of Shipbuilding

The geopolitical significance of shipbuilding has assumed fresh urgency in recent years. Melting polar ice is promising to open Arctic sea lanes that could reshape global trade routes while offering access to vast untapped reserves of oil, gas, and critical minerals beneath the Arctic seabed. Yet the U.S. is ill-prepared to compete: only [two](#) of their five ice-capable ships are operational polar icebreakers. Further, the U.S. has not built a new one in half a [century](#), leaving it dependent on allies such as Finland and Canada to fill the gap.

In contrast, China and Russia have been seizing the Arctic opportunity. Russia, with its extensive Arctic coastline, has refurbished dozens of Soviet-era Arctic bases and deployed the world's [largest](#) fleet of heavy icebreakers, including new [nuclear](#)-powered ones, to assert control over the Northern Sea Route (NSR) (figure 7).

**Figure 7: Russia Has the World's Largest Icebreaker Fleet**

Number of major icebreakers and ice-capable patrol ships, by country, 2022



Source: Statista

China, despite having no Arctic border, declared itself a “[near-Arctic state](#)” and forged partnerships with Moscow to begin regular summer transits of the NSR by Chinese cargo ships. Beijing’s ‘Polar Silk Road’ [envisions](#) Chinese ships carrying goods between Asia and Europe via polar waters, with the NSR taking about 35 days compared to 48 days through the Suez Canal.

In addition to their trade interests, both China and Russia are [targeting](#) the Arctic seabed’s rare earth elements, critical minerals, and hydrocarbons. For example, China has doubled its Arctic investments, focusing on projects like mining in Greenland and undersea exploration, often under the guise of scientific research that could have dual civilian-military applications.

Russia, for its part, has [expanded](#) its claims over the Arctic continental shelf—including contested areas around the Lomonosov and Mendeleyev Ridges—and is rapidly developing massive offshore oil and gas projects in the Barents, Kara, and Laptev Seas, using these ventures both to cement control of the Northern Sea Route and to entrench its role as the Arctic’s dominant energy power.

The widening shipbuilding gap with China—and, to a lesser degree, Russia—is therefore both an economic concern and a strategic threat; the U.S. [dependence](#) on foreign-built and foreign-flagged ships creates serious vulnerabilities. In a crisis, an adversary that controls ship supply chains or key ports could restrict access to vital trade and military logistics, undermining economic stability and warfighting capacity, for example. This is especially critical, given that 90% of military equipment is transported via ships as previously noted. To that end, rebuilding U.S. shipbuilding strength is essential to restoring both economic resilience and geopolitical freedom of action in the 21st century.



## How the U.S. Can Turn the Corner

To solve America's shipbuilding crisis, the United States must implement bold, sustained policies that counter unfair competition and rebuild domestic capacity. USTR's recent Section 301 report concluded that China's maritime dominance is "the greatest barrier" to revitalizing U.S. [shipbuilding](#). Fortunately, policymakers are advancing concrete proposals to level the playing field and boost U.S. industry. Below is a summary of key recommendations and strategies that would enable the U.S. to turn the corner.

### Strengthen and Enforce the Jones Act

The Jones Act has been a [cornerstone](#) of the domestic shipbuilding base since its inception in 1920. Specifically, by requiring that vessels transporting goods between U.S. ports be American-built, owned, and crewed, the Jones Act has provided a guaranteed market for domestically produced ships. This important law can be [strengthened](#) by limiting the use of waivers—which too often allow foreign-built or foreign-crewed ships into U.S. domestic trade and undermine demand for American shipyards.

Enforcing the law is also critical and would ensure that loopholes or misinterpretations do not reduce demand for U.S.-flagged vessels in areas such as liquid natural gas (LNG) transport and offshore wind development. Policymakers should also ensure rigorous enforcement of cabotage requirements, so domestic commerce consistently supports U.S. yards and workers. Doing so will sustain demand signals to investors and shipyards while protecting American maritime workers from unfair foreign competition. Without the Jones Act – and without Navy contracts – the U.S. would likely have no shipbuilding industry left today.

### Expand Cargo Preference Laws

In addition to the Jones Act, cargo preference rules play a separate and complementary role in sustaining U.S. shipbuilding. Cargo preference laws require a portion of U.S. government cargo (e.g. military supplies, food aid, and strategic commodities) to be carried on U.S.-flagged ships. Policymakers should consider expanding these requirements, for example by mandating that a share of U.S. exports also move on U.S.-flag vessels. USTR's recent proposal would phase in a requirement for exporters to use U.S.-flag (and eventually U.S.-built) vessels for up to [15%](#) of shipments by 2032. These measures would guarantee a larger customer base for American shipyards and maritime labor while reinforcing U.S. economic and national security interests.

Such an expansion would guarantee steady demand for new ships, create thousands of maritime jobs, and give shipyards the volume needed to modernize and compete globally. Incentives like discounted tariffs or priority port access for U.S.-flag vessels could reinforce these protections. Coupled with construction subsidies and operating support through programs like the Maritime Security Program. These steps would not only protect America's maritime sovereignty but also ensure long-term investment in U.S. shipbuilding capacity.

### Establish a Shipbuilding Industrial Fund and Tax Incentives

Rebuilding shipyard capacity will require significant investment, which legislation like the [SHIPS for America Act of 2025](#) (SHIPS Act) aims to provide. For example, the bill would create a maritime trust fund, offering investment tax credits for qualified domestic shipyards, expanding shipyard and port infrastructure, and fostering innovation hubs for emerging shipbuilding technologies. Further, these funds could provide capital for upgrading shipyard infrastructure, purchasing advanced equipment, and fostering R&D in areas like autonomous vessels or renewable energy ship technology.

Such incentives could help modernize U.S. shipyards, allowing them to compete against countries that have substantially [aided](#) their respective industries. These supports are justified by the strategic nature of shipbuilding and would help U.S. yards narrow the cost differentials against Asian-built ships that are several times less expensive due to [subsidies](#).

Revitalization efforts must also prioritize not only large shipyards, but also small and medium-sized regional shipyards. These facilities, rooted in local communities, are critical to sustaining skilled labor, dispersing capacity across the coasts and river systems, and preventing the consolidation that has left America vulnerable to single chokepoints.

Congress should also structure the Shipbuilding Industrial Fund to channel capital into regional investment vehicles, ensuring the Gulf, Great Lakes, Pacific Northwest, and all other regional yards all contribute to national capacity rather than relying on a few coastal giants.

## Impose Strategic Fees and Import Restrictions on Chinese Maritime Goods

To counter China's predatory practices, U.S. trade authorities are moving to penalize reliance on Chinese ships and equipment. USTR's measures in response to China's trade-distorting shipbuilding dominance include hefty port entry fees on vessels that are Chinese-owned or Chinese-built, aimed at dissuading shippers from using such vessels for U.S.-bound cargo. For example, any ship operated by a PRC-linked entity or even a foreign ship that was built in China will have to pay additional fees upon arriving at U.S. ports, with fees escalating yearly.

In parallel, USTR has proposed tariffs of up to 100% on critical Chinese-made port equipment – such as gantry cranes, intermodal chassis, and shipping containers – to encourage sourcing from elsewhere.

Another creative rule will require that a growing percentage of U.S. liquefied natural gas (LNG) exports be carried on U.S.-built LNG tankers instead of foreign-built ones. Together, these trade actions "level the playing field" by raising the cost of China's subsidized shipping and reducing U.S. dependence on Chinese maritime goods. They also send a signal to industry that investing in American shipbuilding (and allied-nation shipbuilding) will be rewarded, whereas leaning on Chinese supply chains will carry financial risks.

## Enhance Allied Cooperation and Arctic Capabilities

Since the challenge from China (and Russia) is global, the U.S. can amplify its impact by working in concert with allies and by focusing on strategic niches like Arctic shipping. On the international front, the U.S. should lead efforts to revive a rules-based framework on shipbuilding subsidies and trade – engaging major shipbuilding nations such as South Korea, Japan, and European countries to collectively address China's unfair practices.

This could mean a new agreement setting limits on subsidies or a coordinated refusal to use Chinese-built ships for government charters, etc. The Section 301 petition explicitly called for negotiations with allied nations to confront China's distortions. Additionally, sharing technology and workload with allies (for instance, co-developing new ship designs or icebreakers) can help all participants improve economies of scale outside of China's orbit.

There are already promising examples of how such collaboration can work. South Korea's Hanwha Ocean has [committed](#) \$5 billion to expand the Hanwha Philly Shipyard, boosting output from fewer than two ships a year to as many as 20. Along with infrastructure upgrades and automation, Hanwha has placed an order for 10 tankers to be built at the yard, and the workforce is projected to grow to about 5,000. This kind of allied investment not only brings capital and technical know-how but also provides a guaranteed order book that stabilizes U.S. production lines – the model of partnership America should replicate with other allies.

Encouragingly, Canada, Finland, and the U.S. signed a memorandum of [understanding](#) to co-produce icebreaker ships. The partnership aims to address Arctic security concerns while bolstering U.S. industrial capacity and creating good-paying jobs. However, the U.S. has yet to sign a

contract despite interests in collaboration from both [Canadian](#) and [Finnish](#) partners. These agreements should be formalized to ensure the U.S. has a foothold in the opening Arctic routes.

## Conclusion

The crisis in U.S. shipbuilding was decades in the making and was the product of failed globalist policies characterized by the elimination of federal subsidies during the 1980s. This left U.S. shipyards competing unaided against heavily subsidized foreign rivals. Fortunately, the Jones Act and Navy contracts have ensured that at least some industrial capacity remains.

Reviving the industry requires a comprehensive strategy: blending protection of the home market, direct investment in industrial capacity, smart regulation of trade, and forward-looking geopolitical planning. As China's shipyards churn out fleets of advanced vessels and extend Beijing's reach on the high seas, American policymakers are waking up to the stark reality that economic security and national security hinge on a revitalized maritime industry.

America once sustained a vibrant regional shipyard network serving both Navy and commercial fleets. The task today is not invention, but restoration of that proven capacity. By implementing the measures discussed in this report, the United States can begin to regain its shipbuilding prowess, create thousands of skilled jobs, and ensure that America shapes the future of the world's oceans.