



The Daily Dish

# Foreign Policy Meets the Jones Act

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## Eakinomics: Foreign Policy Meets the Jones Act

The Jones Act (which is actually a section of the Merchant Marine Act of 1920) requires that all goods transported by water between U.S. ports be carried on U.S.-flagged ships that are constructed in the United States, owned by U.S. citizens, and crewed by U.S. citizens. The main idea for the requirement at its inception was to have available a military auxiliary in the event of war, but the restriction of transportation services in this way is strictly protectionist and at odds with good economic policy. The impact of the Jones Act is not trivial, as it [costs twice as much](#) to ship a barrel of oil from the U.S. Gulf Coast to the East Coast as it does to ship it to Canada. In principle, the Jones Act represents a tradeoff between economic and foreign policy. In the 21<sup>st</sup> century, however, its contribution to national security seems minimal, as the ships haven't even been used by the military when they could have been: When the military needed extra capacity to transport supplies to Afghanistan and Iraq, it used the [Ready Reserve Force](#)—not Jones Act-eligible vessels (which currently [only number 99](#) anyway). Most outside the protected industry and workers are ready to see the Jones Act go away.

So I read with interest this [Bloomberg](#) account indicating that the president was considering a waiver of the Jones Act for transportation of liquefied natural gas (LNG). The Jones Act and LNG has been a big issue in [New England](#) during the [winter heating](#) season. The shale gas revolution has made domestic natural gas plentiful and cheap, but there are not enough pipelines to get it to New England. A waiver seems like the only feasible way to get sufficient quantities of domestic natural gas to the northeast. The must-read [Maritime Executive](#) reports, “The last LNG carriers constructed at an American shipyard were delivered in the 1970s, when 16 of the specialized vessels were [built](#) at Newport News, Avondale and General Dynamics Quincy under a federal incentive program. All have since been flagged out, and most have been broken up or converted.” In the absence of a Jones Act waiver, the region is forced to import more expensive LNG from Trinidad and Tobago. (The same holds true for [Puerto Rican electricity](#) needs, which are far higher than they need to be because of the Jones Act.)

But competing economic interests have never been enough to overthrow the Jones Act, so this recent development is really interesting. A little more digging reveals that as its resources got strained, Trinidad and Tobago turned to [Venezuela](#) as its source of natural gas, meaning the Jones Act is causing the United States to import indirectly from, and therefore support, a regime it has sanctioned. The bottom line is that the Jones Act, despite the national security benefit it is supposed to offer by making American shipping less dependent on foreign shipbuilders, has perversely made energy consumption more dependent on foreign suppliers.

There is no longer a conflict between national security and economics. Waiving the Jones Act, at least for LNG, is the right idea on both fronts.