The University of Chicago

The End of History and U.S. Commercial Shipbuilding

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Abstract

Why did the United States, during the unipolar moment, act against its long-term strategic interest by choosing not to invest in its commercial shipbuilding industry? This decision is especially puzzling considering that China, the United States' current peer competitor and potential naval adversary, started publicly investing in and emphasizing the strategic importance of its sector during the same time. I argue that the United States' adherence to and belief in a liberal foreign policy during the unipolar moment is chiefly to blame. Believing that China could rise without challenging its security, the United States discounted the risk of a security competition and naval conflict with it in the future. As a result, the U.S. had no reason to be concerned with China's growing dominance of commercial shipbuilding or invest in its uncompetitive commercial sector. This only changed after the United States recognized both the threat China would pose to its security and the challenges its industrial base would face supporting a protracted, large-scale conventional war.

I. Introduction

The United States currently finds itself in an increasingly multipolar world, operating across multiple theaters of engagement in Europe, the Middle East, and East Asia. Yet despite the existence of threats in Europe and the Middle East, the Indo-Pacific is arguably viewed by the U.S. as the most strategically important region of the globe outside of the Western Hemisphere due to the presence of China—the only nation with "both the intent to reshape the international order and the economic, diplomatic, military, and technological power to do it."[1] It should come as no surprise, then, that increasing attention has recently been directed toward the Navy, which will play an outsized role in any potential conflict in East Asia.

Beginning in 2023, there has been a torrent of U.S. government and media coverage publicly scrutinizing the preparedness of the Navy and the broader shipbuilding sector. Orders for new combat ships consistently miss their intended delivery schedules, repairs are delayed for vessels already stretched thin by rising operational demands, and the Navy is falling short of its fleet size targets. Even in times of relative peace, these shipbuilding challenges are impacting military preparedness. In a large-scale, protracted great power conflict, when combat vessels are more likely to be damaged in rapid succession and the Navy must surge production of combat and transport ships, these issues will become even more consequential.

It is easy to argue that actions taken by the military, such as the closure of military shipyards, a foolish strategy of starting naval vessel construction before designs were finalized, and regularly shifting Navy procurement plans, have contributed to these shipbuilding

[1] The White House, "Remarks and Q&A by National Security Advisor Jake Sullivan on the Future of U.S.-China Relations."

challenges.[2,3] But another parallel development, the decline and eventual loss of the domestic commercial shipbuilding industry, will also significantly affect the United States' ability to generate the naval force required for a great power security competition with China.

In past protracted great power naval conflicts, the United States relied on its domestic commercial shipbuilding industry to help construct both combat and transport vessels for the military. But after the U.S. eliminated commercial construction subsidies, what remained of the domestic commercial shipbuilding industry essentially disappeared. During the unipolar moment that followed, the U.S. made no substantial effort to revive domestic commercial shipbuilding, even as its future peer competitor, China, began aggressively investing in its sector and eventually came to dominate global production. Nonetheless, the loss of commercial shipbuilding in the U.S. is now regarded as a serious security concern. As former Secretary of the Navy Carlos Del Toro warned in 2024, "history reveals that no nation has endured as a great naval power without also being a commercial maritime power, both in shipbuilding and shipping…and for the first time in 125 years, we have a full-spectrum, global maritime competitor."[4]

In 2025 alone, both the Biden and Trump administrations have drawn attention to the commercial shipbuilding sector. In January, a Biden probe found that China unfairly dominates global commercial shipbuilding to the detriment of the U.S.[5] Two months later, in his address to Congress, President Trump announced his intention to create the Office of Shipbuilding to "resurrect the American shipbuilding industry, including commercial and military shipbuilding."[6]

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[2] Katz, "House Poised to Require '100 Percent' Ship Design from Navy Prior to Construction."
[3] Long, "Huntington Ingalls' Shares Tumble on Outlook Cut, Navy Contract Delay."
[4] United States Navy, "SECNAV Del Toro Discusses Building Comprehensive U.S. and Allied Maritime Power at National Maritime Day Ceremony."
[5] Shalal, "Exclusive: US probe finds China unfairly dominates shipbuilding, paving way for penalties, sources say."
[6] The White House, "Remarks by President Trump in Joint Address to Congress."

Although the United States has lacked a significant domestic commercial shipbuilding sector for decades, serious concern over this fact has only emerged recently. This raises an important question: why didn't the U.S. invest in domestic commercial shipbuilding earlier, during the unipolar moment, if its absence would undermine the nation's long-term strategic interests? Other shipbuilding nations, such as Japan and Korea, invested heavily to sustain their industries. More worryingly, China birthed its industry into existence thanks to billions of dollars in investment. The U.S. made no serious effort to support shipbuilding during this same period, even though it should have recognized that the absence of a commercial industry would negatively impact the country's security position in a great power competition with China.

I will argue the U.S. did not invest in its commercial sector during the unipolar moment because it did not foresee a future great power security competition with China. Because of this, it lacked a security-based incentive to support commercial shipbuilding. This miscalculation stemmed from the United States' liberal policy of engagement with China. Throughout the unipolar moment, the United States believed China could rise peacefully if it was sufficiently enriched, brought into international institutions, and eventually democratized. However, by 2017-18, it had become increasingly clear that liberal engagement had failed to accomplish this transformation and that the rise of China would threaten U.S. interests. Several years later, the 2022 Russia-Ukraine War and its unexpected persistence into 2023 demonstrated that large-scale, protracted great power conventional wars could still occur, even in the nuclear age. That war, alongside other shocks to the U.S. industrial base after 2020, exposed serious shortcomings in the United States' ability to compete with a powerful peer competitor like China in a protracted, large-scale conflict. These developments have driven the nascent efforts to revive industries critical to national security, including domestic commercial shipbuilding.

II. Plan for the Argument

I will begin this paper by establishing that commercial shipbuilding, especially in the United States, is an intensely competitive and often unprofitable industry that cannot survive without sizeable and continuous government financial support. I will show how, since the United States stopped meaningfully subsidizing commercial vessel construction towards the end of the Cold War, the domestic shipbuilding industry has declined significantly in terms of active shipyards, employment, and vessels produced. I will compare the decline and loss of the shipbuilding industry in the United States with the growth in China's commercial shipbuilding sector. China, first declaring shipbuilding a strategically important industry in the early 2000s, invested heavily in it during the unipolar moment and now dominates global production. If the U.S. wanted to ensure the survival of domestic commercial shipbuilding, it would have had to heavily invest in the sector, especially as China began doing so. During the unipolar moment, the U.S. expressed no noticeable interest in investing in its commercial sector.

Next, I will argue that the loss of a domestic commercial shipbuilding industry negatively affects the United States' security in a large-scale, protracted conflict with China. I will first evaluate how the Navy's shipbuilding requirements change when engaging in a great power security competition with China compared to during the unipolar moment. I focus on the need to construct additional combat and merchant transport ships, which the U.S. is currently struggling to do. Using the examples of shipbuilding in the U.S. and Japan during World War II, I will show that the U.S. had ample historical reason to conclude, based on its own experience in the last great power naval conflict it fought, that the commercial shipbuilding industry could support those objectives. With the shrinking number of government-owned Naval yards, this support will be crucial to national security during a sustained and intense conflict with China, when large

quantities of vessels can conceivably be damaged, transport vessels will need to be constructed, and military shipyard capacity will ideally be reserved for the most advanced combat ships.

Before I present my argument for why the U.S. did not invest in its commercial shipbuilding sector during the unipolar moment, I will outline and analyze alternative explanations. First, the U.S. may not have recognized that losing commercial shipbuilding capacity would impact the nation's security in a great power competition. Secondly, it could have recognized the strategic importance of having a commercial shipbuilding industry, but it believed capacity could easily and quickly be reconstructed when it was needed. Third, commercial shipbuilding could have been recognized as strategically important in a future great power competition, but the U.S. lacked the resources to invest. Fourth, commercial shipbuilding could have been recognized as strategically important, but domestic forces could have pushed the U.S. to act contrary to its strategic interest and not invest.

After disqualifying those explanations, I will argue that the United States did not invest in commercial shipbuilding because both political and Naval leaders believed China could rise peacefully without challenging U.S. interests and security. The United States' belief in and pursuit of a liberal foreign policy towards China after the end of the Cold War ultimately led it to underestimate the risk of a great power naval competition with it in the future. As a result, the U.S. did not have a security-based reason to invest in commercial shipbuilding and did not express concern about China's growing shipbuilding dominance. Political and Naval leaders only started taking issue with China's shipbuilding dominance and trying to revive the U.S. commercial sector years after it became clear that China posed a threat to U.S. national security.

I will conclude by discussing why the U.S. only became meaningfully interested in supporting commercial shipbuilding after 2023 and reviewing solutions that are currently being

floated to revitalize the commercial shipbuilding sector. I argue that the 2022 Ukraine war was key because it showed that large-scale, protracted wars between great powers are still possible—and that the U.S. industrial base isn't prepared to fight such a conflict.

III. Commercial Shipbuilding Globally and in the United States

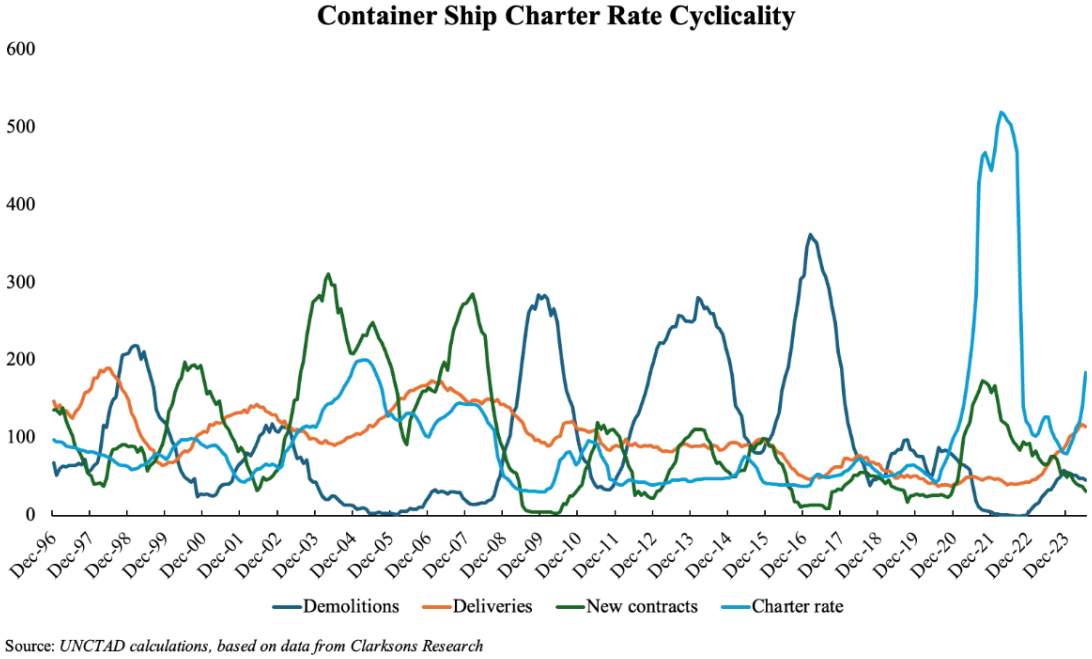
Commercial Shipbuilding Is Frequently Unprofitable

Maritime shipping and transportation underpin the global economy, with over 80% of the volume of international goods traded being transported by sea.[7] Nonetheless, the commercial shipbuilding industry that underpins this trading regime is cyclical, competitive, and oftentimes unprofitable. Without meaningful government support, shipbuilding firms around the world struggle to support themselves and survive across business cycles. In this paper, I will operate from the understanding that if the U.S. wanted to ensure the continued survival of its commercial shipbuilding industry, it would have had to invest meaningful amounts in it during the unipolar moment, as the three current dominant shipbuilding nations– Japan, Korea, and China–did.

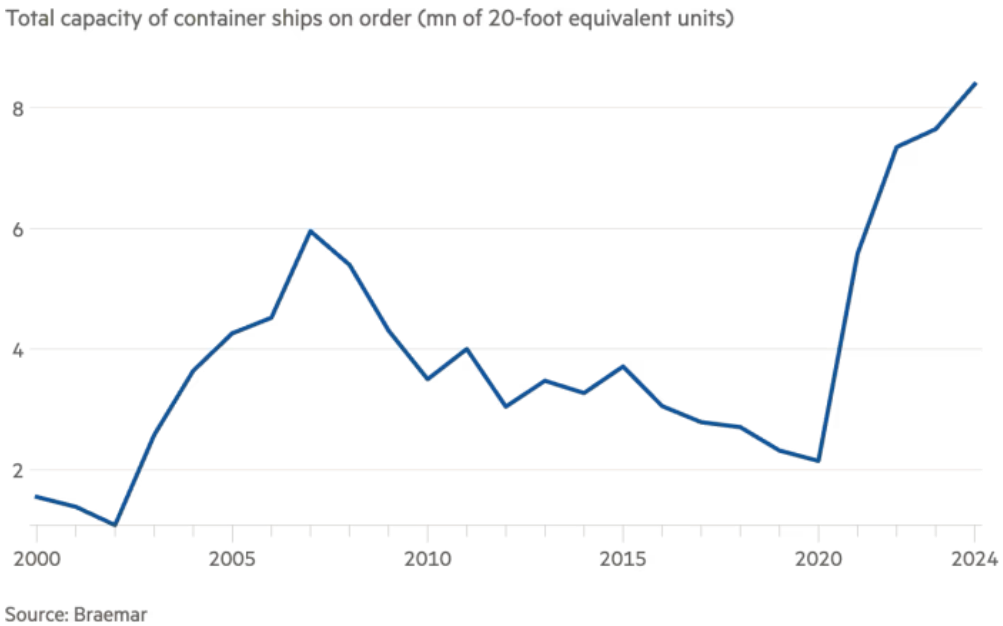
The first challenge facing commercial shipbuilders is the cyclicality of the industry. On the demand side, shipping companies face large fluctuations in earnings based on the charter rates they can charge. These rates are functions of demand for global shipping, which is highly dependent on economic growth, and shipping capacity, which is based on the supply of vessels. After periods of high rates, shipping firms are flush with cash and can purchase new ships to increase their capacity or replace older vessels. But there is a several-year delay between when orders are placed and ships are delivered, so vessels frequently arrive when the rate environment and shipping demand are different from the period in which the order was placed. When these

[7] UNCTAD, "Review of Maritime Transport 2021."

rates and charter demand are significantly lower, new orders are often among the first outlays to be cut because they can no longer be justified. If tough times are expected to last or the shipping company must shore up liquidity, they may even attempt to sell or scrap their newly acquired vessels, putting even more pressure on shipbuilding demand.[8]



Source: *UNCTAD calculations, based on data from Clarksons Research*



Source: Braemar

[8] Esty and Sheen, "Vereinigung Hamburger Schiffsmakler und Schiffsagenten e.V. (VHSS): Valuing Ships," 1-17.

The fixed costs and long lead times inherent to shipbuilding further exacerbate the cyclicality that shipbuilding firms face. First, the main costs for shipbuilding firms are largely fixed, such as labor and depreciation. When shipyard capacity is idled in downcycles or orders decline due to weakening shipping cycles, profitability dramatically decreases. Secondly, construction of new shipyards is constrained by time (it generally takes two years from securing land to producing ships in a yard) and space (Japan and South Korea, for example, have limited remaining area suitable for capacity expansion).[9] As a result, shipyard capacity is generally difficult to acquire and tempting to close if bad times are expected to persist. Shipbuilding firms thus must plan out anticipated ship demand several years in advance and plan their capital investments accordingly to avoid financial ruin.

The fierce competition between firms also makes commercial shipbuilding a frequently unprofitable business. Commercial shipbuilding companies typically compete on price in a category with a given range of specifications, with cost and productivity advantages related to labor and material inputs being the big determinants of price, and thus relative demand. When shipbuilders in a country can achieve structural cost advantages stemming from some combination of cheaper labor, higher government support, increased productivity, and lower input costs for key products like steel, global shipbuilding orders shift towards those regions. In this way, Japanese shipbuilders undercut U.K. and Western European shipbuilders after World War II, only to later be undercut by South Korea. As the CEO of British Shipbuilders noted,

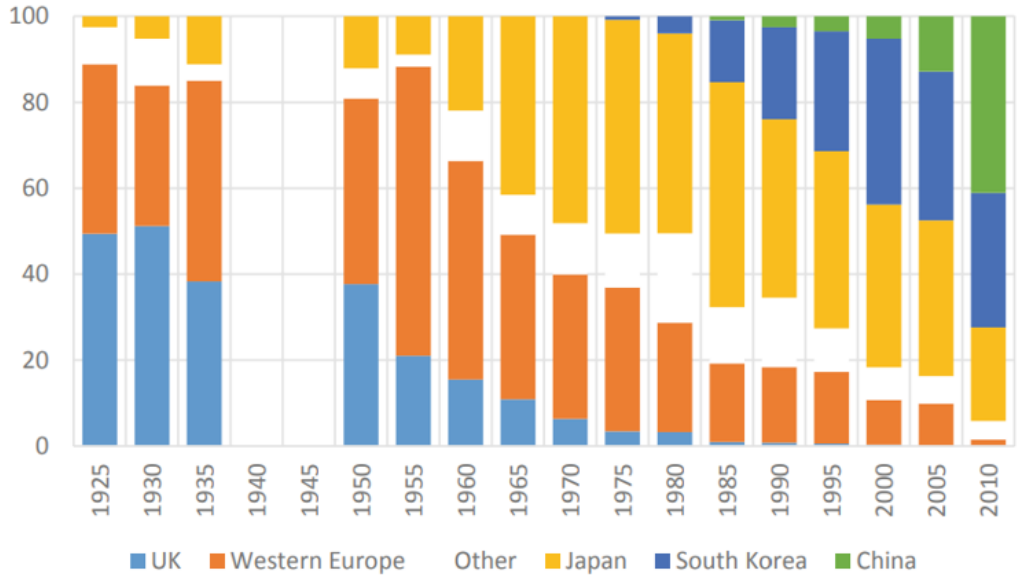
> If for example you or I were an independent shipowner, and we had communication from, say, a Japanese shipbuilder that said the price was 10, all you would have to

[9] Golden Pine, “Revelation from Shipbuilding: The Power of Cycles.”

do is produce that to a South Korean yard and they will bid 9 without looking at the specification or anything else.[10]

As China began investing heavily in shipbuilding, Chinese shipyards began undercutting the South Koreans and especially the Japanese, who lost share. Seeking to maintain their domestic shipbuilding capabilities, both the South Korean and Japanese governments have heavily supported their industries via tax breaks, financial assistance, and support for consolidation.[11,12,13]

Share of World Shipbuilding Based on Gross Register Tonnage



Source: *Shipping and Globalization in the Post-War Era, compiled from Lloyd's .*

Note: 2010 figures are based on Dwt and thus likely to slightly underestimate the European market shares. Although some countries are missing, the chart gives a representative overview of the shift.

[10] Johnman and Murphy, *British Shipbuilding and the State since 1918: A Political Economy of Decline*, 231.
[11] Moyoun, "Shipbuilding budget soars 40% as South Korea commits to industry growth."
[12] Chambers, "Japan's parliament passes package of shipbuilding measures."
[13] Jun and Nam, "South Korea Throws Its Shipbuilders a $9.6 Billion Lifeline."

Given the high fixed costs in shipbuilding, firms and governments increasingly push for consolidation, hoping to achieve economies of scale and drive down the cost to produce individual ships. On both the country and firm level, commercial shipbuilding historically has been and increasingly is becoming more consolidated. Three countries today, China, South Korea, and Japan, comprise over 95% of the world's commercial orderbook by volume. Within these countries, three firms in South Korea, five in Japan, and five in China produce most of the commercial vessels built in those nations.

	2022	2022	2023	2023	2024	2024
Total Orderbook Share	mn Dwt*	No.	mn Dwt*	No.	mn Dwt*	No.
China	51.0%	52.7%	57.6%	56.6%	67.3%	62.5%
Japan	16.1%	16.6%	15.4%	15.7%	11.1%	12.6%
South Korea	27.5%	17.1%	22.2%	14.9%	17.0%	13.0%
Europe	4.3%	7.6%	3.4%	6.6%	2.8%	5.9%
Rest of World	3.6%	6.0%	3.4%	6.1%	3.4%	6.0%

Source: *BRS Group Annual Review 2025*

* Total does not equal 100%. Europe data in GT, not Dwt.

Share of 2024 Global Orderbook by Major Shipbuilding Firm

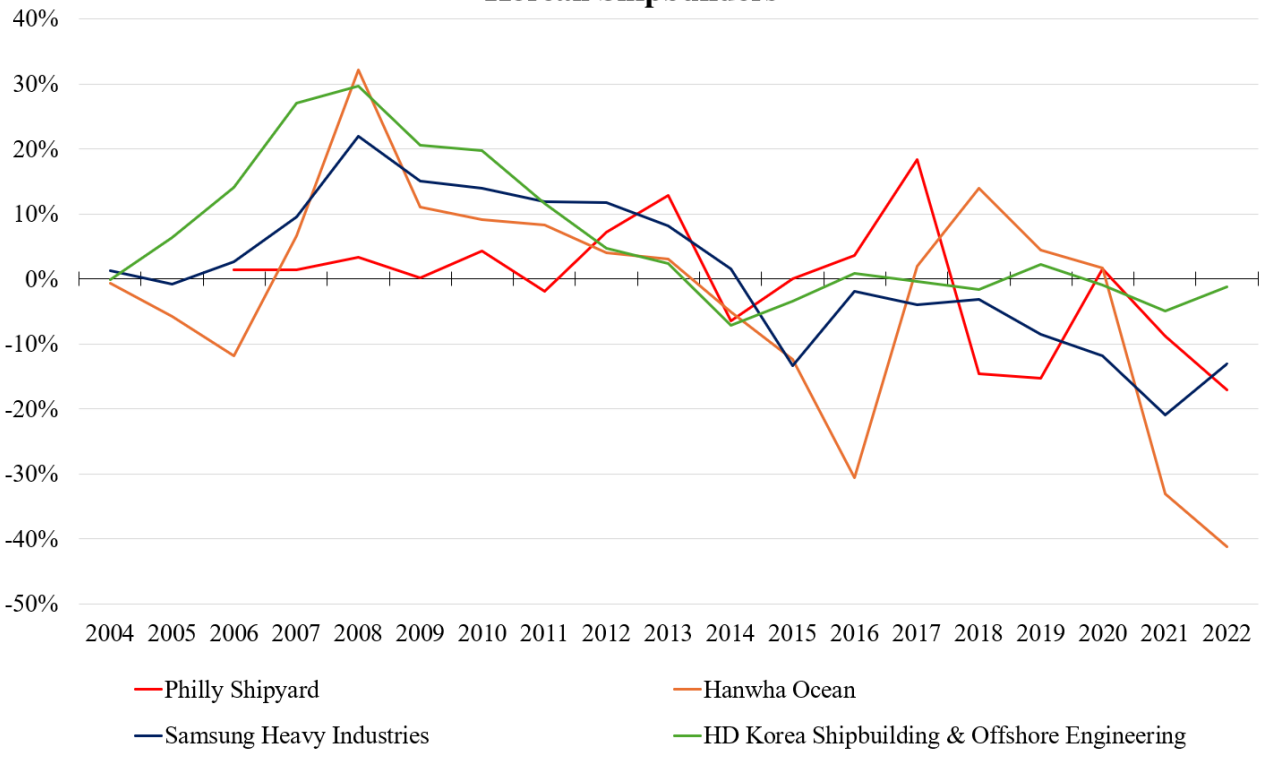
Orderbook Ranking	Country	Orderbook (mn Dwt)	Share of Country	Share of Global
China State Shipbuilding Corporation (CSSC)	China	89.2	34.2%	23.0%
New Times Shipyard (NTS)	China	24.6	9.4%	6.3%
Yangzijiang (YZJ)	China	23.4	9.0%	6.0%
Cosco Shipping Heaving Industry (CHI)	China	22.9	8.8%	5.9%
Hengli Group	China	19.9	7.6%	5.1%
Top 5 Chinese Shipbuilders		180.0	69.0%	46.5%
Imabari Shipbuilding	Japan	12.6	29.3%	3.2%
Japan Marine United (JMU)	Japan	10.9	25.2%	2.8%
Oshima Shipbuilding	Japan	6.5	15.1%	1.7%
Namura	Japan	3.4	7.9%	0.9%
Shin Kurushima	Japan	3.1	7.2%	0.8%
Top 5 Japanese Shipbuilders		36.5	84.7%	9.4%

Source: *BRS Group Annual Review 2025*

Note: Despite lacking data on orderbooks, S.K. is likely even more consolidated. The three largest shipbuilders, Hyundai (48.8%), Hanwha (24%), and Samsung (17.5%), secured 90.3% of new orders for S.K. shipbuilders in 2024.

Nonetheless, even consolidation does not stop larger shipbuilders, like the 3 large South Korean firms, from experiencing the same fluctuations and periods of unprofitability that smaller players, like U.S.-based Philly Shipyard, do. For example, South Korea's three largest shipbuilders went thirteen straight years, from 2011 to 2024, without posting collective annual operating profits.[14] For Philly Shipyard, the sole American publicly traded commercial shipyard still standing, profitability is observably lower than the three scaled South Korean competitors.

Returns on Invested Capital for Philly Shipyard and the Big 3 South Korean Shipbuilders



Source: *Koyfin, company financial filings*

Returns on Invested Capital (ROIC) for Philly Shipyard and the Big 3 South Korean Shipbuilders				
Shipbuilding Company	**Median (2004-10)**	**Average (2004-10)**	**Median (2011-22)**	**Average (2011-22)**
Philly Shipyard	1.4%	2.1%	-1.0%	-1.7%
Hanwha Ocean	6.6%	5.8%	1.8%	-7.1%
Samsung Heavy Industries	9.6%	9.1%	-3.6%	-3.6%
HD Korea Shipbuilding & Offshore Engineering	19.7%	16.8%	-0.7%	0.2%

Source: *Koyfin, company financial filings*

[14] Moyoun, "South Korea's 'Big 3' builders poised to post first collective annual profit since 2011, Lloyd's List."

The Fateful Decision to End Commercial Subsidies

As the previous section makes clear, commercial shipbuilding is a competitive and often unprofitable industry, even for the biggest players. For United States shipbuilders, these industry problems have long been exacerbated by the fact that the cost to construct a ship in the U.S. is significantly higher than the cost to do so internationally because of higher input costs, chiefly labor and materials.[15] To overcome these challenges and incentivize ordering from U.S. shipbuilders, the United States heavily subsidized commercial construction from 1936 to 1981. For context, the cost to purchase a large freighter in the United States was roughly two times the cost of purchasing one internationally in 1979.[16] Today, as U.S. productivity has lagged and foreign shipbuilding has become even more cost-advantaged, the cost to acquire a containership from the United States can be up to six times the cost of a comparable vessel in China.[17]

Starting with the Merchant Marine Act of 1936, the United States recognized the importance of having a domestic commercial shipbuilding industry and subsidized vessel construction to level the playing field against foreign competitors. This took the form of a Construction Differential Subsidy (CDS) offered to U.S. shipbuilders and purchasers, which covered up to 50% of the difference between the cost to acquire a commercial ship at a foreign yard and a qualified domestic one.

From the 1960s to the early 1970s, the foreign competition undercutting U.S. yards came from Europe and Japan, which had massively overbuilt capacity in response to a speculative

[15] Eno Center for Transportation, "Decline in U.S. Shipbuilding Industry: A Cautionary Tale of Foreign Subsidies Destroying U.S. Jobs."
[16] Nordlinger, "Despite Subsidies, U.S. Shipyards Lag Behind Foreign Competition."
[17] Bloomberg Originals, "How China Came to Dominate Global Shipbuilding."

boom in demand for new tankers.[18] But even though the CDS did not entirely level the cost difference between sourcing at U.S. yards and foreign ones, it was enough to contribute towards maintaining a commercial shipbuilding base in the United States. Even as foreign yards became more cost-efficient and productive after World War II, the U.S. commercial industry still built 15-25 new ships per year in the 1970s, equating to 5% of global tonnage. In the 1980s, as the CDS ended, this fell to roughly five per year.[19] Today, the United States builds commercial ships at a similar rate of around five vessels per year, equating to just 0.1% of global tonnage.[20] The few ships the domestic commercial industry still produces are primarily sold to domestic maritime shippers compliant with the Jones Act, which legally requires domestic waterborne shipments between U.S. ports to be shipped on U.S.-built, owned, flagged, and crewed ships.

The decision to end the CDS was made by the Reagan administration in 1981 following an industry-wide downturn that stemmed from the 1973 oil crisis and the overbuilding of capacity in the decades prior. The downturn laid bare the poor economic competitiveness of U.S. yards and forced the government to decide whether it wanted to continue increasing subsidies for domestic commercial shipbuilding moving forward. As a measure of just how bad the industry's outlook had become, there were fears the financial losses of certain firms would push the government to one day nationalize them. Nonetheless, as neoliberalism swept the domestic political scene in the 1980s, there was little appetite to increase government financial support for a sector that was not economically self-sufficient. In opinion pieces and newspapers, the inefficiency of the domestic commercial industry was publicly decried and calls for ending the

[18] Stocker, "In Search of a Level Playing Field: The Shipbuilders Council of America and the Issue of Foreign Shipbuilding Subsidies."
[19] Congressional Research Service, "U.S. Commercial Shipbuilding in a Global Context," 1-2.
[20] Funaiole et al., "Ship Wars: Confronting China's Dual-Use Shipbuilding Empire."

CDS were presented. Reagan, for his part, based much of his economic policy on an ideological desire to cut government spending and decrease tax collections to promote economic growth.[21]

Since 1981, the United States has provided no comparable financial support to its commercial shipbuilding sector. This comes as the other nations that came to dominate global shipbuilding, like South Korea, Japan, and China, invested in their industries and provided heightened government support, especially amidst industry downturns when global capacity would be closed. After the same industry downturn in the late 70s and 80s, South Korea offered capital, tax, and trade incentives to promote investment in its sector, and Japan provided easy finance and loan deferments to its builders. It is no surprise, then, that the two nations that came to dominate shipbuilding from the 80s to the early 2000s were the ones that invested countercyclically while others, like the U.S., closed capacity and abandoned shipbuilding.[22]

It should now be clear from this section that, if the United States wanted to preserve a domestic commercial shipbuilding industry, financial subsidies would have to be employed. Without subsidies, shipbuilding in the United States has been and is increasingly becoming more economically uncompetitive relative to foreign builders.

After showcasing how the decision to end construction subsidies destroyed what remained of the U.S. commercial industry in the next section, I will conclude this part by showing that China's current dominance of shipbuilding was made possible by a strategic decision throughout the unipolar moment to invest in and subsidize its shipbuilding sector.

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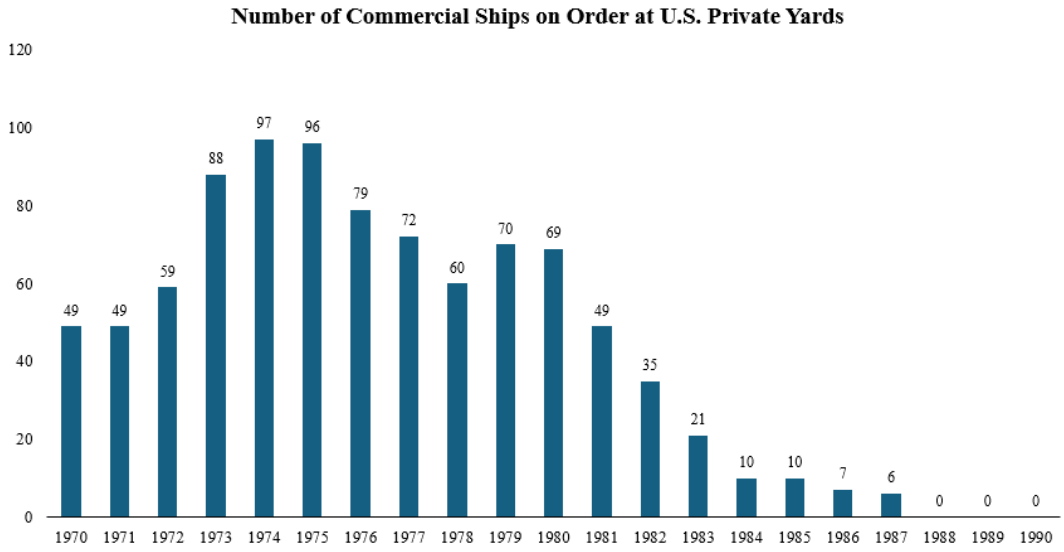
[21] McFadden, "REAGAN CITES ISLAMIC SCHOLAR."
[22] Eno Center for Transportation, "Decline in U.S. Shipbuilding Industry: A Cautionary Tale of Foreign Subsidies Destroying U.S. Jobs."

The Effects Ending Subsidies Had on the U.S. Commercial Industry

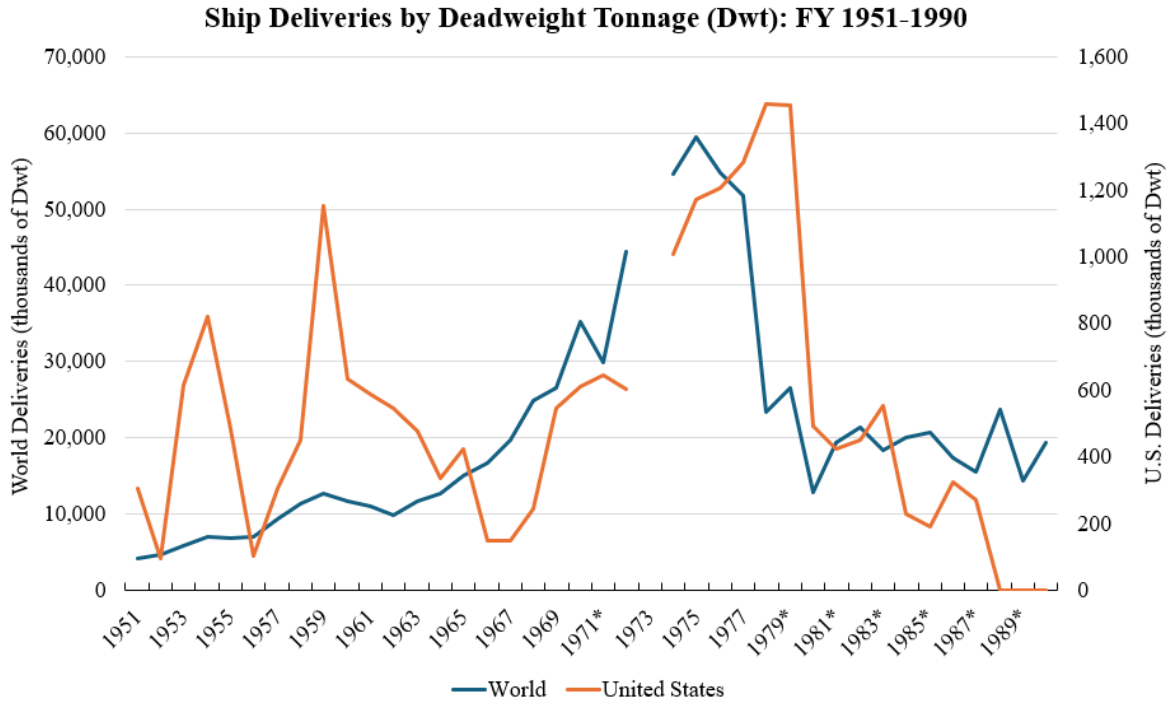
The elimination of the CDS and the reduction in demand for U.S.-made vessels structurally shrank the domestic shipbuilding industry's labor force and shipyard capacity in the coming decades. For one, the loss of financial subsidies gave little incentive for any commercial shipping firm, foreign or domestic, to order from U.S. yards. The only exception would be if the vessel had to be Jones Act compliant. Consequently, the number of commercial ships on order at private U.S. yards decreased dramatically after 1981, when the CDS was ended.



Source: *In Search of a Level Playing Field: The Shipbuilders Council of America and the Issue of Foreign Shipbuilding Subsidies*

As the orderbook was worked through over the next several years, shipbuilding deliveries from U.S. yards sharply declined. Although the growth in international trade and increased demand for specialized vessels the United States produced presented a glimmer of hope for a recovery in the 1990s and early 2000s, this proved short-lived. Deliveries reached almost 400 thousand compensated gross tonnage by 1998 but declined steadily to settle at an average of less than 50 GT annually from 2018 to 2024.[23]

[23] Office of the U.S. Trade Representative, "Report on China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance," 10.



Sources: *Cato Institute from U.S. Maritime Administration, Annual Reports, 1951-1990*
Note: There is no data for 1973. * are calendar, not fiscal, years.

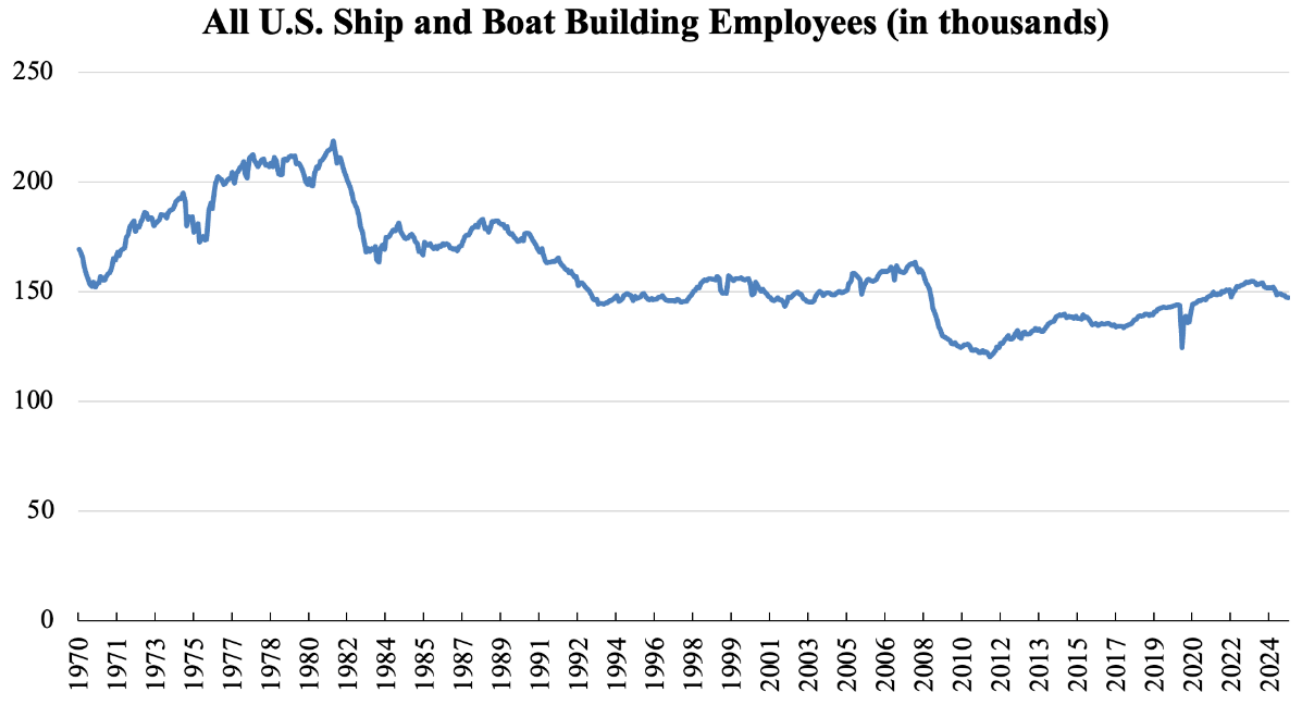
As a result of this sharp and continuous decline in commercial demand for U.S. shipbuilders, yards were idled or permanently closed across the country, and layoffs followed. Today, just five shipyards construct virtually all the large commercial cargo ships built in the U.S. Just two yards, Philly Shipyard and General Dynamics NASSCO, have together built 28 of the 29 tankers and 6 of the 10 container ships produced during this time.[24] The decline in orders and commercial yards resulted in prolonged declines in shipyard employment in the coming decades, even as Naval shipbuilding demand remained relatively more resilient.

[24] Congressional Research Service, "U.S. Commercial Shipbuilding in a Global Context," 1-2.

U.S. Shipyards that Built Large Commercial Vessels after WWII (as of 2020)		
Major Active Builders of Large Naval Vessels	**Builder Since**	**Vessels Over 10,000 DWT**
GD/Bath Iron Works	1890	CF; CD
GD/NASSCO	1944	CD; C; DB
HII/Ingalls Shipbuilding	1939	CF; C
HII/Newport News Shipbuilding	1886	C
Other Active Builders of Large Vessels	**Builder Since**	
Fincantieri Bay Shipbuilding (formerly Christy Corp., Sturgeon Bay SB)	1885	CD
Halter Marine Pascagoula (formerly VTHM Pascagoula)	1998	CD
Philly Shipyard (formerly Aker Phila., Kvaerner Phila.)	2000	CD
Builders Which Have Closed Since 1981	**Last Build**	
Bethlehem San Francisco (formerly Union Iron Works)	1981	C
Levingston Shipbuilding	1982	DB
Bethlehem Quincy (formerly Fore River SB, later GD Quincy)	1983	C; DB
Sun Shipbuilding & Dry Dock Company	1983	CF; CD; C
Todd Galveston (formerly Gray's Iron Works)	1986	C
Lockheed Shipbuilding (formerly Puget Sound Bridge & Dredging)	1987	CF; DB
Bethlehem Sparrows Point (formerly Maryland Steel)	1999	C; DB
Avondale Shipyards	2006	CF; C

Sources: *Shipbuildinghistory.com, Shipspotting.com, Congressional Research Service*

Note: Information on builder is not available for all ships constructed. I exclude builders which closed prior to 1981, such as New York Shipbuilding.
CF: Container Built for Foreign Trade
CD: Container Built for Domestic Trade
C: Break-bulk Cargo Ships
DB: Dry Bulk Carriers



Source: *Federal Reserve Bank of St. Louis*

The Growth of Chinese Commercial Shipbuilding During the Unipolar Moment

As the United States stopped subsidizing commercial shipbuilding and witnessed the decline and loss of the sector throughout the unipolar moment, China took the opposite path and began aggressively investing in its shipbuilding industry in the hopes of eventually making it the world's largest. This started modestly in the mid-1990s, with joint ventures being set up with Japanese and South Korean shipbuilders intended to assist with the modernization of Chinese shipbuilding facilities and production techniques.[25]

China's push to invest in and grow its share of global shipbuilding closely coincided with its increased economic integration and globalization in the early 2000s, accelerated in large part by its accession into the WTO. The growth in ship demand from Chinese shippers provided a growing set of domestic buyers the government could encourage to purchase Chinese-built vessels.

In March 2001, China adopted its 10th five-year industrial plan, which was the first to draw attention to the shipbuilding, maritime, and logistics sectors. This was followed two years later by the *National Marine Economy Development Plan*, which formally labeled "both shipbuilding and ocean shipping as 'pillar industries'" and directed the government to "provide resource reserves and guarantees for the development of [maritime] related industries."[26] China's targets for increased shipbuilding output became more refined and ambitious over time, with subsequent maritime and five-year plans revealing increasing strategic importance afforded to the industry and ambitions for global dominance.

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[25] ChinaPower Project, "How is China Modernizing its Navy?"
[26] Office of the U.S. Trade Representative, "Report on China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance," 24.

Key Chinese Shipbuilding Plans		
Plan	**Target Set**	**Target**
National Marine Economy Development Plan	2003	Maritime industry to account for 4% of GDP by 2005, 5% by 2010. Targets are doubled for coastal areas.
11th Five-Year Plan	2006	Utilize new technologies for ship construction and focus on developing high value added vessels and maritime equipment.
Medium and Long-Term Plan for Shipbuilding	2006	Volume based annual shipbuilding capacity and output targets by 2010 and 2015. Increased diesel engine production and greater man-hour efficiency.
Ship Industry Adjustment and Revitalization Plan	2009	35% of global shipbuilding completion volume and 20% share of high-tech and high value-added ships by 2011. Faster construction times for bulk carriers, tankers, and container ships.
12th Five-Year Plan	2012	China's top 10 shipbuilding companies complete 70% of national volume. At least five companies enter top 10 global builders by 2015. Increase labor productivity and input efficiency.
Shipbuilding Structural Adjustment Implementation Plan	2013	25% market share of high-tech ships. 20% market share of maritime engineering equipment. Greater labor productivity and steel utilization with lower energy consumption per output.
Made in China 2025	2015	40% market share of high-tech ships. 50% market share of maritime engineering equipment by 2025.
Updated Shipbuilding Action Plan	2016	Increase global market share by five percent compared to 12th FYP period. 35% share of maritime engineering equipment and 40% of high-tech ships by 2020. China's top 10 builders to account for 70% of country completions.
Shipbuilding Green Development Outline	2023	International market share of green power ships of 50% by 2025. Increase shipbuilding efficiency of whitelisted enterprises.

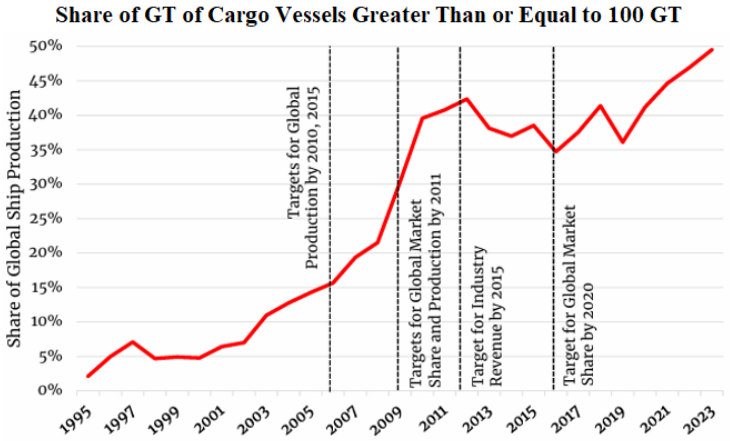
Sources: *USTR Report on China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance, CSIS Ship Wars: Confronting China's Dual-Use Shipbuilding Empire*

To achieve these objectives, China directly and indirectly invested huge sums of money into its shipbuilding sector during the unipolar moment. Although exact figures are difficult to ascertain, the investment exceeded tens of billions of dollars throughout the 2000s.

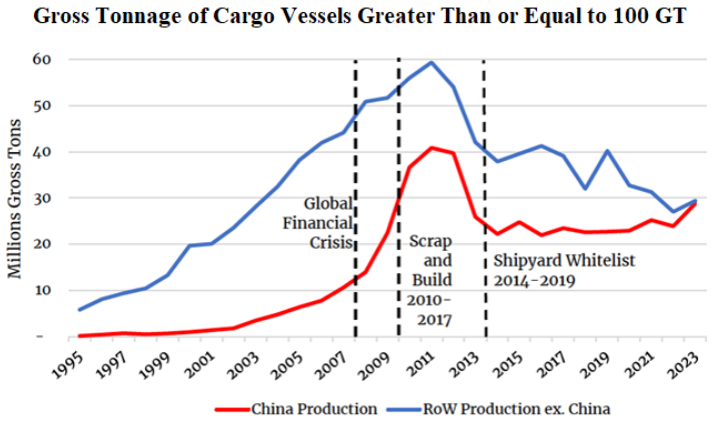
In one study, economists from Harvard, UW-Madison, and Queen's University estimated that, from 2006 to 2013, subsidies totaled $91 billion. These subsidies increased China's global market share by 42%. While 30% of this increased production filled higher world demand, 70% took market share from others, primarily South Korea and Japan. South Korea's global market

share declined by 9% and Japan's by 3% during this period because of the Chinese government policy.[27] Research from CSIS, instead looking at 2010-2018, estimated that the subsidies totaled at least $132 billion, primarily in the form of cheaper financing from state banks.[28] But as both papers acknowledge, state support was more comprehensive than just financial subsidies. Investments into the domestic steel industry suppressed the input costs for shipbuilders, and the government pushed for consolidation as smaller entities suffered after the financial crisis.

China's blueprint of employing countercyclical investment and heavy state subsidies to undercut foreign shipbuilders is not novel. The United States, Japan, and South Korea all invested in their industries at various times when they wanted to be leading shipbuilding nations.[29] The U.S. gave up this aspiration in 1981, but South Korea and Japan persisted. It is equally important to keep in mind that China's rise was not rapid or sudden. Although China's dominance and the loss of U.S. shipbuilding have only recently become a serious concern to the United States, this development hardly occurred overnight.



Source: *USTR, based off Maritime Administration analysis of data from Lloyds Register and S&P Global*



Source: *USTR, based off Maritime Administration analysis of data from Lloyds Register and S&P Global*

[27] Jia Barwick et al., "Industrial Policy Implementation: Empirical Evidence from China's Shipbuilding Industry," 25-26.
[28] Funaiole et al., "Ship Wars: Confronting China's Dual-Use Shipbuilding Empire," 12.
[29] Tan, "Race in the Shipbuilding Industry: Cases of South Korea, Japan, and China," 65-81.

IV. The Role of Shipbuilding in a Great Power Competition with China

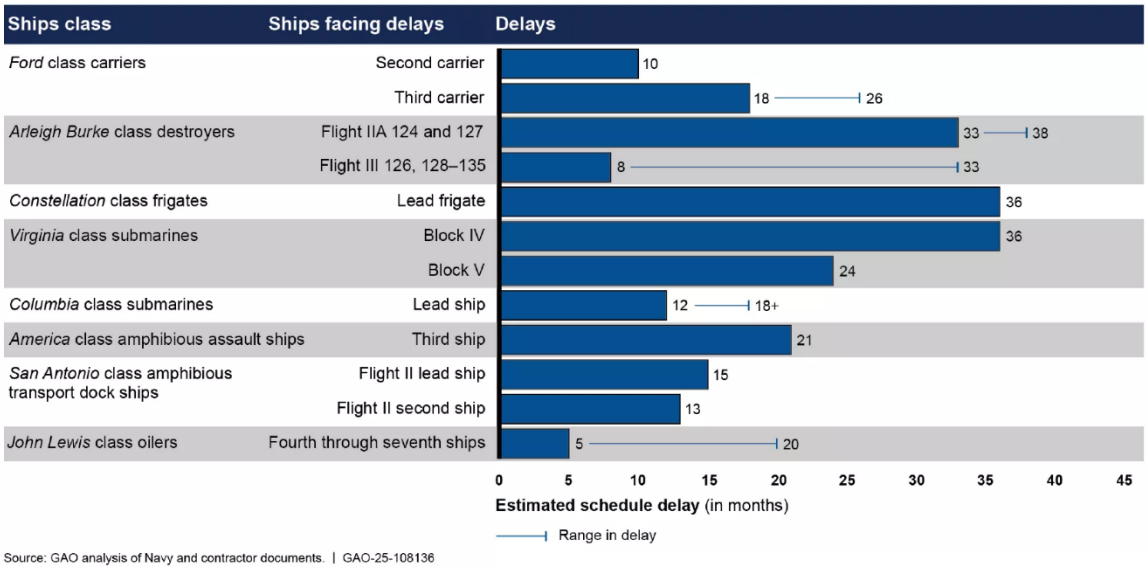
The Maritime Requirements to Compete with China

After the collapse of the Soviet Union and throughout the unipolar moment, no other naval great power existed that could conceivably challenge the U.S. fleet and maritime superiority. As I will make clear later in this paper, the Navy during this time was chiefly concerned with projecting power, maintaining forward presence, and safeguarding international trade. It did not prioritize the threat of a great power conflict with China until 2017-18. This is important to recognize because the requirements placed upon the Navy and the corresponding industrial base in a great power security competition are significantly higher than those in times of unipolarity when no maritime rival exists.

For one, the absence of a great power maritime threat means there is little reason to believe a large number of combat ships could be damaged or sunk in quick succession. Terrorist groups, rogue states, and insurgencies may require the Navy to project power onto littoral areas and provide moderate sealift to disparate regions of the globe, but they are not threatening to sink large quantities of warships and render a fleet inoperable until it can be repaired. So long as the occasional damaged ship can be fixed and rotated with a functional one, the U.S. can still project force abroad where needed. This is essentially what the U.S. tried to do throughout the unipolar moment. Likewise, without a maritime threat to international shipping, there is little reason to worry that sealift would be challenged on the open waters. In past great power competitions, international waters proved far less secure. German submarines sank thousands of Allied

merchant cargo ships during the two World Wars, and the U.S. sank thousands of Japanese vessels during its war in the Pacific.[30]

The United States now recognizes China as a threat to its security and is publicly expressing concern with its ability to produce and repair the combat, auxiliary, and transport vessels needed to effectively compete with it. Due to shortages in skilled labor, the closure of military shipyards (there were eight by 1990 and just four remain today), and poor worker retention, a range of vital combat vessels, including submarines and aircraft carriers, are facing delays ranging from five months to three years.[31] The inability to produce ships on time or on schedule, alongside the decision to procure more expensive, large platforms like aircraft carriers instead of smaller combat ships, has contributed to force levels shrinking from 318 total active ships in 2000 to 291 in 2023. For reference, before the collapse of the Soviet Union in 1991, the fleet regularly stood at over 500 vessels, and, at its peak in 1945, it was 6,768 strong.[32] But even as the fleet shrank, the demands



[30] Wheeler, "The Lost Merchant Fleet of Japan."
[31] U.S. Government Accountability Office, "U.S. Navy Shipbuilding Is Consistently Over Budget and Delayed Despite Billions Invested in Industry."
[32] Naval Heritage and History Command, "US Ship Force Levels."

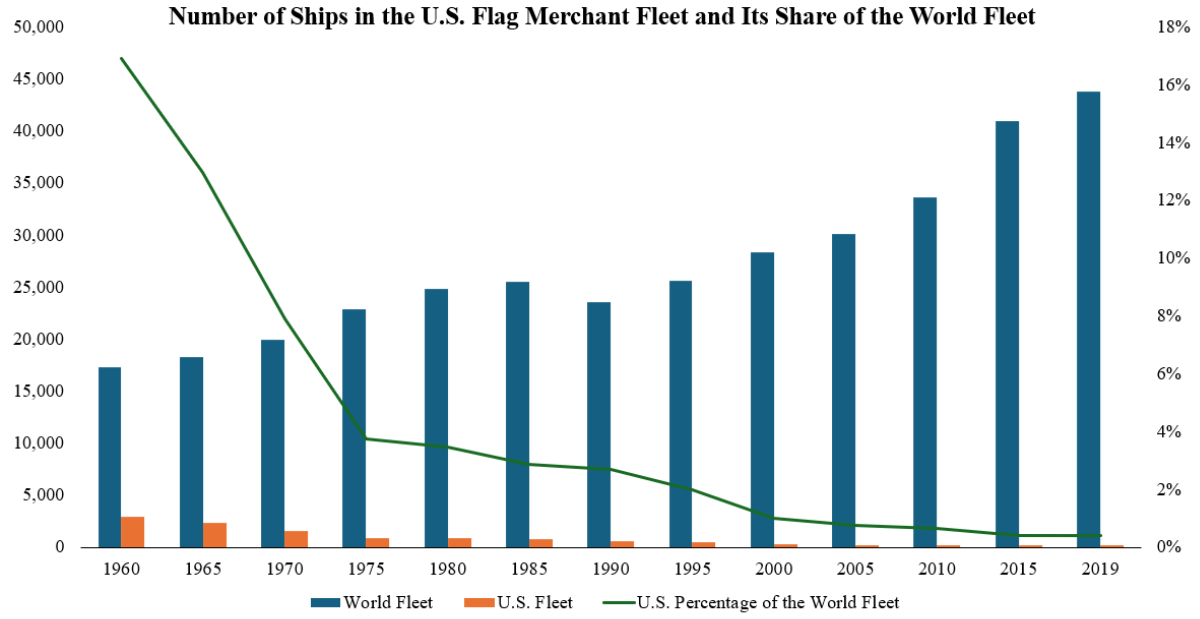
placed on it by forward presence have not. As a result, the few Naval shipyards remaining are increasingly focused on repairing and maintaining active ships so they may be redeployed.[33]

The United States' prospects for maintaining sealift in a conflict with China are even more worrisome. In 2019, the U.S. military conducted a stress test of the government-owned Ready Reserve Force and Military Sealift Command fleet, attempting to understand how they might perform in a time of crisis when all 61 ships were operated simultaneously. Setting aside the fact that just 61 ships comprised the entirety of the government-owned sealift fleet, only 40.7% proved operationally ready to support the U.S. in a conflict. This should come as no surprise given that the average age of one of the 45 ships in the Ready Reserve Force is 45. This pitiful performance comes even though cargo ships, not military vessels, are key to fulfilling military objectives during times of conflict and historically transported 90% of the military equipment sent by ship in crises.[34]

This sealift shortcoming from government-owned ships has historically been alleviated by turning to the U.S.-flagged commercial fleet. These ships are registered in, privately owned by, and operated under the laws of the United States. The problem with relying on commandeering the U.S.-flag fleet is that hardly any fleet still exists. As shipping firms increasingly registered their fleets in countries with favorable tax or regulatory requirements, a practice known as registering under "flags of convenience", the U.S. gave up its once respectable share of global commercial fleet flags it had built up before and during World War II. Today, just 185 ships make up the U.S. flag fleet, less than 1% of global shipping tonnage. China, Liberia, and Panama hold the top three spots in flag registration by deadweight tons, with China alone exceeding 14% of global registrations. Even if the U.S. wanted to build its way towards a larger merchant fleet before or

[33] Panter, "The Illogic of Naval Forward Presence."
[34] Larter, "The US Military ran the largest stress test of its sealift fleet in years. It's in big trouble."

during a naval conflict, it would not be able to, given the lack of any meaningful commercial shipbuilding capacity in the U.S. today.



Source: *Bureau of Transportation Statistics*

In a security competition with China, the United States' insufficient sealift capabilities and struggles with building and repairing combat vessels negatively impact its security. In a possible blockade of Taiwan, the United States would likely face significant difficulties finding any transport ships capable of moving military aid to the island or allies in the region. If Chinese mines, aircraft, and ships are successful in sinking ships transporting goods to the region, the inability to quickly build more commercial vessels would be especially damaging. Additionally, in the event of an amphibious invasion of Taiwan or a direct conflict between the two Navies, a large number of U.S. vessels are likely to be damaged and destroyed. Even in the aftermath of a failed invasion, the United States would struggle to rebuild the fleet and repair damaged vessels, which has implications for its security and power projection capabilities across the globe. As wargames by the Center for Strategic and International Studies put it,

> Rebuilding these capabilities would take many years and would occur at a slower rate than China's rebuild, given the rapid pace of Chinese military modernization. With only two U.S. shipyards currently building large surface combatants, it would take decades to replace the dozen or more such ships lost while continuing the Navy's build program. Lost carriers could not be replaced because the current shipyard capacity is sufficient only to maintain the current carrier force.[35]

But even prior to any conflict breaking out, the inability of the U.S. to expand its combat fleet according to its targets and back up its power projection with any meaningful sealift likely weakens U.S. deterrence and national security. Fixing the shipbuilding and sealift challenges in the United States will take time, and China has already been on a long push towards modernizing the PLA and its naval capabilities. China's battle force fleet of ships and submarines already exceeds the United States, and the gap in tonnage is increasingly narrowing in China's favor.[36]

In the following two sections, I will make the case that commercial shipbuilding has historically proven relevant to national security, especially during periods of great power naval competition. The commercial industry provides valuable shipyard capacity, which can be used to both build and maintain a merchant marine fleet and build and repair combat ships, freeing up Naval yards to work on the most complex ships only they can handle.

Building Commercial Ships and a Merchant Marine

As I have made clear in the prior section, the United States needs an effective sealift to engage in a great power competition with China and currently lacks any meaningful government or privately owned commercial fleet to turn to. But even beyond just having transport ships to

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[35] Cancian et al., "The First Battle of the Next War: Wargaming a Chinese Invasion of Taiwan," 143.
[36] Trevithick, "Alarming Navy Intel Slide Warns of China's 200 Times Greater Shipbuilding Capacity."

employ during a conflict, it is important to also have meaningful shipbuilding capacity to construct and repair new ships when existing ones are damaged or more goods need to be moved. The most recent great power maritime conflict, World War II, serves as an apt example of how commercial shipbuilding is inextricably related to the buildup of a commercial fleet and sealift capabilities. To build up their fleets and produce huge quantities of ships capable of sealift, both Japan and the United States engaged in robust commercial shipbuilding.

In the years leading up to Pearl Harbor, Japan was a formidable shipbuilding nation and boasted the third largest merchant marine, navy fleet, and shipbuilding base in the world.[37] Japan's merchant fleet played a key role in trade before the war, transporting people, oil, and cargo around the Pacific. Importantly, the merchant fleet was almost entirely constructed by domestic civil and military yards and took on increasing importance as the war began. Shortly before the attack on Pearl Harbor, Japan ensured its merchant fleet remained at or close to Japanese ports. As a result, large merchant liners quickly replaced their commercial goods with military cargo, and tankers supplied fuel for the Navy and the Army Air Service.

Japanese shipbuilders continued to churn out merchant transport vessels during the war, with production peaking at 1.73 million gross tonnage launched in 1944. Nonetheless, Japan failed to match the United States' eventual merchant shipbuilding production heights. In 1940, Japan produced roughly 60% as many merchant ships as the United States; by 1944, it produced only a seventh.

In all, Japan lost 2,346 merchant ships during its 44-month participation in World War II, representing over 8.6 million gross tons of capacity. The fact that it began with just 1,180 vessels

[37] Nakayama and Chihaya, "Japan's Phenomenal Shipbuilders."

in September 1939 is a testament not only to the United States' success in sinking Japanese merchant vessels but also to the role Japanese commercial shipbuilding played in rebuilding the sunk fleet and sustaining the war effort.[38] The fact that most major shipyards exited the war relatively unscathed was key for Japan's effort to rebuild its maritime merchant fleet after the war, which had been almost entirely destroyed. Ten years after the war, Japan had 598 vessels of 3,242,000 gross tons in operation, with far more on order.[39] Ten more years later, Japanese shipbuilding dominated the globe, launching over 5.3 million GT, nearly 44% of the global total.

The United States, before and during World War II, embarked on an even larger commercial ship buildup, whose success made possible fighting a two-front war against Germany in Europe and Japan in the Pacific. This buildup began well in advance of the United States' entry into the war, with the Merchant Marine Act of 1936. In addition to establishing the CDS, the legislation called for the creation of an expansive Merchant Marine that could be relied upon in times of war. The act also established the Maritime Commission, which went on to plan for and subsidize the construction of hundreds of ships in the following years. In 1938, the Commission called for the construction of 500 ships over the course of 10 years; by 1941, the target was 400 ships annually.[40] This merchant fleet initially made possible the shipment of goods across the Atlantic to allies like the United Kingdom. But as the demands for shipping continued to grow and Germany stepped up its attacks on cross-Atlantic trade, Liberty ships, and later the Victory ships, rose to the occasion and came to embody the United States' shipbuilding effort and sealift. The United States produced huge amounts of these vessels to meet the increased demand for maritime transport and overcome German sinking. Between January 1942

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[38] Wheeler, "Lost Merchant Fleet of Japan."
[39] Ibid.
[40] U.S. Department of Transportation, "The Maritime Administration's First 100 Years: 1916 – 2016."

and December 1944, the U.S. delivered almost 44 million tons of merchant ships, with Liberty ships alone comprising over 60% of the total.[41] At its peak in 1943, the shipbuilding industry churned out an astonishing 19.2 million deadweight tons of merchant vessels.[42] When production peaked, the U.S. was producing 3 Liberty ships per day.

Fifty-nine shipyards produced all these merchant vessels during the war. Of these 59, 14 only built merchant ships.[43] Those 14 yards constructed 613 of the 5,396 merchant ships built during the war, or around 11%. Seeing as the U.S. lost more than 700 merchant ships during the conflict, it is safe to say that commercial shipbuilding played a key role in ensuring the United States' logistical victory. The main reason the contribution from commercial yards was not higher is that many more experienced commercial yards were eventually directed towards producing and repairing combat ships as the war progressed.

Supporting the Construction and Repair of Combat Ships

Beyond the construction of merchant ships, commercial shipyards support the construction and repair of combat vessels, freeing up dedicated Naval yards to focus on the most advanced vessels. During World War II, for example, commercial yards established before the U.S. entry, which had skilled workers and were accustomed to building more complex ships, were incredibly useful in supporting the construction and repair of simple combat vessels. Of the 197 yards that completed work for the Navy and were in operation before the war, over half had no naval shipbuilding experience. Moreover, 40 maritime commission yards, most of which had been established for the sole purpose of constructing commercial vessels, built 1,366 Navy

[41] U.S. Department of Labor, "Wartime Employment, Production, and Conditions of Work in Shipyards," 36-37.
[42] Lindberg and Todd, *Anglo-American Shipbuilding in World War II*, 98.
[43] Ibid, 164.

vessels from 1942 to 1945, comprising 14% of the total vessels constructed. These ships, built in yards intended for merchant work, ranged from escort carriers to frigates to destroyers.[44]

As the war progressed and commercial vessel construction surged, the United States increasingly found itself needing more combat, not transport ships. Because it had a sizeable shipbuilding industrial base, comprised of established merchant yards, dedicated Naval yards, and newly constructed emergency yards, it was able to shift production and priorities around over time as the war demands progressed. In the later years of the war, wartime-built shipyards and non-shipbuilding firms increasingly took over the construction of merchant ships, and more experienced yards, like those established under the Maritime Administration before the war, took up increased combat ship work. In turn, the Navy yards were free to prioritize the most advanced vessels like submarines and carriers.

Shipbuilding Agglomerations During World War II where Naval Work was Done

Region / Location	Total Yards	Wartime-Built Yards	Non Shipbuilding Firms	Yards Existing Prior to WWII (No Naval Experience)	Yards Existing Prior to WWII (Naval Experience)	Naval Shipyards
Pacific Coast	**56**	**12**	**3**	**33**	**6**	**2**
Astoria-Portland	6	2	0	2	2	0
San Francisco	18	5	2	8	2	1
Los Angeles	11	3	0	8	0	0
Seattle	17	2	1	11	2	1
Independent Yards	4	0	0	4	0	0
Atlantic Coast	**75**	**7**	**2**	**41**	**18**	**7**
Boston	8	1	0	4	2	1
Maine Coast	10	1	0	6	2	1
New York-New Jersey	18	1	0	12	4	1
Philadelphia-Camden	12	0	1	6	4	1
Chesapeake Bay	6	1	0	1	2	2
Connecticut-Rhode Island	8	1	0	5	2	0
Independent Yards	13	2	1	7	2	1
Gulf Coast	**21**	**8**	**2**	**11**	**0**	**0**
Houston	10	3	2	5	0	0
New Orleans	9	5	0	4	0	0
Independent Yards	2	0	0	2	0	0
Great Lakes	**24**	**2**	**1**	**16**	**5**	**0**
S. Lake Michigan	6	1	1	4	0	0
W. Lake Erie	6	0	0	5	1	0
Manit.-Sturgeon	4	0	0	2	2	0
Duluth-Superior	6	1	0	4	1	0
Independent Yards	2	0	0	1	1	0
Inland Waterways	**21**	**1**	**13**	**5**	**2**	**0**
Totals	197	30	21	106	31	9

Source: *Anglo-American Shipbuilding in World War II*

[44] Ibid, 159; 172.

V. Theoretical Background

IR Theory: Liberalism, Realism, and the Likelihood of War

Before I assess why the U.S. did not invest in shipbuilding despite its clear contributions towards national security, I should outline what international relations theory says about the threats states face and how they might act in response. Two schools of thought dominate International Relations theory: liberalism and realism. Both maintain that nation states are the main actors in the international system and acknowledge material differences in the composition and capabilities of different states.[45] However, the expectations for inter-state relationships, predictions of state behavior, and the possibility of dramatically reducing the occurrence of war vary dramatically between the two. During the Cold War, the United States was forced to adhere to realist logic as it engaged in intense security competition with the Soviet Union. But when the Soviet Union collapsed and the U.S. stood alone as the sole great power during the unipolar moment, the U.S. had less reason to pay attention to the balance of power between it and other states and could envision a future free of security competition and great power conflict. It adopted a liberal foreign policy to create this more peaceful world, most prominently justifying engagement with China. Believing that China could rise peacefully if it were enriched, liberalized, and brought into international trading regimes, the United States accepted China's rise throughout the unipolar moment and only grew concerned when it became clear China had no intention of accepting the U.S. led international order and was willing to use military force to achieve its objectives.[46,47]

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[45] Mearsheimer, *The Tragedy of Great Power Politics*.
[46] The White House, "National Security Strategy of the United States of America."
[47] Akita, "China wants ability to invade Taiwan by 2027, U.S. admiral says."

Liberalism in International Relations was born out of the European Enlightenment Era beliefs of philosophers like Immanuel Kant, who maintained that the occurrence of war could be dramatically reduced if a "republican constitution" of states were able to cooperate in the pursuit of a lasting peace.[48] The special emphasis on the type of state populating a system reflects the belief that certain states, chiefly liberal democracies, are more predisposed towards cooperation and that the international system would be more peaceful if it were populated by other liberal states.[49] As opposed to realism, liberalism focuses less on the power differentials between states that influence the likelihood and nature of conflict and more on the mechanisms by which states can be encouraged to cooperate to avoid war.

To deepen cooperation between independent states and safeguard a lasting peace, three prominent theories are often advanced by liberals: democratic peace, economic interdependence, and international institutions. The first pillar of this "Kantian Triangle", democratic peace, represents the "strong probabilistic observation" that democracies typically do not fight other democracies and that they are generally more peaceful than their authoritarian counterparts.[50] Thus, a world comprised entirely of liberal democracies would be a more peaceful world. The realization of this ideal world seemed inevitable to many after the fall of the Soviet Union and the start of the United States' unipolar moment, with scholars like Francis Fukuyama arguing the world had exhausted all alternatives to Western liberalism after defeating fascism in the Second World War and Communism in the Cold War.[51] The second pillar, economic interdependence, maintains that nations that have a high degree of trade with one another are unlikely to fight because that

[48] Spindler, "New Liberal Theory," 158–174.
[49] Mearsheimer, 13.
[50] Russett and Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations*.
[51] Fukuyama, "The End of History?" 3–18.

would endanger the economic prosperity both treasure and benefit from while at peace. To increase economic interdependence and thus lower the possibility of armed conflict between states, it makes sense to lower trade barriers and encourage globalization to raise the level of trade between as many states as possible.[52] This was a key justification for both U.S. engagement with China and Naval strategy throughout much of the unipolar moment. Lastly, liberals argue that participation in global institutions creates an alternative form of dispute resolution instead of war, allowing states to resolve potential conflicts in mutually agreed-upon ways.[53] The burden of international norms and laws would be most impactful on democracies, meaning the three pillars of the triangle reinforce one another and strengthen the force for peace.

Realists reject the liberal belief that the risk of war can be avoided and a permanent peace achieved, arguing that states find themselves in an anarchic, self-help world where they must take actions to safeguard their survival. Today, structural realism, most prominently described by Kenneth Waltz in *Theory of International Politics*, dominates the school of thought. In the structural realist telling, states prioritizing their survival find themselves in an anarchical international system with no higher authority to turn towards to arbitrate disputes. Nations, unable to have complete confidence in the present or future intentions of other states, pursue self-help measures to ensure their security and pay special attention to the balance of power between states in the international system. However, actions taken to increase the power and security of one state in the anarchical system, such as building military forces, often come at the expense of the security of another state, forming the basis of the security dilemma and potential for war in the future.[54] Cooperation between self-interested states is still possible, but this will be driven by balance of

[52] Russet and Oneal, 150.
[53] Ibid, 157.
[54] Jervis, "Cooperation Under the Security Dilemma," 167–214.

power logic and a desire to balance against a state that poses a mutual threat, rather than states independently reasoning that cooperation will further the prospect of lasting peace.[55] From these shared assumptions about the structure of the international system, realists diverge when predicting how states will respond to the constraints and incentives they face.

Defensive realists believe that states are fundamentally security seekers, and that the pursuit of security does not necessarily have to entail acting aggressively or seeking to increase a state's power at the expense of others.[56] The goal of a state is to maintain its relative position in and the balance of power in the international system, and a state taking actions to increase its power may compromise security if other states perceive it to be a threat and balance against it.[57] States are laser-focused on the distribution of capabilities and balance of power between themselves and others, as any disruption to the balance can compromise their security. Offensive realists instead argue that because states are unable to determine the intentions of other states, the most effective way to ensure the survival and security of a state is to seek power and achieve regional hegemony. Upon achieving hegemony, the relative balance of power between the hegemon and any other state should be so great that weaker powers are unable to seriously threaten the security of the hegemon.[58] To this end, states are motivated by the structure of the international system to pursue an increase in their relative, not absolute, power.

Despite these differences, both offensive and defensive realism dictate that states make decisions grounded in balance-of-power and self-help logic to prioritize their continued survival. It is in the interest of a state to prevent any other state from becoming too powerful in the

[55] Walt, "Alliance Formation and the Balance of World Power," 3–43.
[56] Glaser, *Rational Theory of International Politics: The Logic of Competition and Cooperation*.
[57] Waltz, *Theory of International Politics*.
[58] Mearsheimer, *The Tragedy of Great Power Politics,* 35-40.

international system or achieving hegemony, as this would create a serious security threat. States should be concerned when other states build up latent, and especially military power, as this could eventually lead to them having the capabilities to threaten their interests and security. The risk of war can never be eliminated entirely or with enough confidence to avoid taking these self-help measures and paying attention to the balance of power in a system. In contrast, liberalism is less concerned with the balance of power between states, as cooperation and populating the world with more democracies can structurally reduce the risk of war and increase the security of states.[59]

I argue that liberal U.S. foreign policy in the unipolar moment and the lack of consideration paid to the risk of a future security competition with China is what gave the U.S. confidence that the decline in commercial shipbuilding activity would not seriously affect the nation's long-term security. Supporting a domestic shipbuilding industry would have been a financially costly endeavor, and the U.S. chose not to make those investments while it believed increased economic interdependence and the eventual democratization of states like China would deter future security competition and conflict. But if the U.S. were operating under realist logic, it likely would have expressed more concerns about China's gradual investment in its industrial base and tried to maintain and improve its future security position. With great power conflict and security competition once again viable in the current multipolar world, the U.S. has begun expressing alarm at the loss of its commercial shipbuilding industry and trying to find solutions.

VI. Alternative Explanations for the Decision to Not Invest

[59] Mearsheimer, *The Great Delusion: Liberal Dreams and International Realities*.

Commercial Shipbuilding Does Not Impact Security

To this point, I have assumed that the lack of a commercial shipbuilding industry negatively affects the position of the United States in a security competition with China. However, it is conceivable that leaders in the United States during the unipolar moment were not aware of a link between commercial shipbuilding and national security or perhaps did not believe it existed until the past few years. As a result, the decision not to invest could be due to a belief that commercial shipbuilding would have no impact on the future security of the U.S., regardless of the threat environment.

This is unlikely for several reasons. First, the United States' own experience in the last great power naval competition it fought during World War II provides an example of how commercial shipbuilding affects national security. I have explored this example in detail in the fourth part of this paper. Without a robust commercial industry, the United States would have struggled to construct the thousands of merchant and combat ships it built throughout the conflict. Naval and political leaders in the United States could also have turned to the case of Japan during World War II, finding that their maritime rival in the Pacific also recognized the importance of commercial shipbuilding and used its merchant fleet to support itself during the war. Without the ability to rebuild all the lost commercial tonnage it used for transporting fuel, materials, and forces, Japan likely would not have been able to remain at war for so long.

But these examples, although deeply relevant to the United States, occurred decades before the unipolar moment. Perhaps shipbuilding had gotten so complex or changed significantly since then to the point where commercial yards were no longer relevant to security in the unipolar moment and beyond. All the United States had to do to realize this was unlikely to be the case was observe China's words and actions as it invested in its sector.

In many of the same industrial plans where China outlined its goal to significantly expand commercial shipbuilding capabilities, it continuously stated that the growth of its commercial industry, skilled labor, and expertise would eventually benefit maritime security. Starting in 2003 and continuing throughout subsequent plans, China emphasized its desire to promote military-civil fusion between its commercial and military shipbuilding sectors to further its dream of becoming a "Strong Shipbuilding Nation." Expertise developed by commercial shipyards would one day improve the construction of combat ships, skilled labor could eventually be redirected towards military work, and technology intended for commercial purposes would eventually be repurposed for combat vessel construction.

One can observe the Chinese shipyards built up during the unipolar moment to see how this rhetoric was implemented in practice. At yards constructing commercial vessels, military ships are being built just docks away. Workers, infrastructure, and expertise from commercial shipbuilding projects are being used to assist in combat vessel construction. If the United States wanted firm evidence on how commercial shipbuilding could impact maritime security, it only had to look east. CSIS has extensively documented how the largest of these Chinese shipyards appear to be building commercial ships side by side with combat ships at the same facilities, which I highlight in the following section alongside a comparison with the state of currently shuttered shipyards in the U.S.[60]

[60] Funaiole et al., "Ship Wars: Confronting China's Dual-Use Shipbuilding Empire."

Shipbuilding Military-Civil Fusion in Chinese Industrial Plans During the Unipolar Moment

Industrial Plan	Date Range	Military-Civil Fusion Goal
Outline of the National Marine Economy Development Plan	2003-Present	"Marine economic development must be compatible with strengthening national defense power, safeguarding marine rights and interests, and improving the marine environment. Adhere to the consideration of both military and civilian [sectors], and the combination of peacetime and wartime, so that marine economic development and national defense construction can promote each other and develop in a coordinated manner. Ensure the use of the sea for national defense construction and protect maritime military facilities." "The marine shipbuilding industry should focus on the main business, diversified operations, military-civil integration, and steadily develop from a major shipbuilding country to a Strong Shipbuilding Nation."
Medium and Long-Term Development Plan for the Shipbuilding Industry	2006-2015	"The shipbuilding industry is a modern and comprehensive industry that provides technical equipment for water transportation, marine development, and national defense construction…It plays a significant role in promoting labor employment, developing export trade, and ensuring maritime security."
Ship Industry Adjustment and Revitalization Plan	2009-2011	"The shipbuilding industry is a comprehensive industry that provides technical equipment for the shipping industry, marine development, and national defense construction."
12th Five-Year-Plan for the Development of the Shipbuilding Industry	2011-2015	"Adhere to promoting Military-Civil Fusion as a strategic guideline for industrial development. Fully utilize the entirety of societal resources, vigorously develop an integrated military-civil ship research and production system, improve the interaction mechanisms between military and civilian sectors, accelerate the mutual conversion of military and civilian dual-use technologies, significantly improve the industrial foundation of military-civil integration, and enhance dynamic military support capabilities."
Accelerating Structural Adjustment and Promoting Transformation and Upgrading of the Shipbuilding Industry	2013-2015	"Promote the conditions, resources, and result sharing of military and civilian research; promote the cooperative development of advanced technologies in the design and manufacturing of ships for both military and civilian use; strengthen the overall arrangement and integrative development of basic technologies and products for military and civil use; and promote the interflow and mutual use of military standards and civilian standards...Based on the foundation of the shipbuilding industry for civil use and relying on the major development projects of civilian products, make a breakthrough in the construction bottlenecks of key products, materials, processing, and manufacturing of equipment and other military capacity."
Updated Shipbuilding Action Plan	2016-2020	"Promote military-civil joint innovation. Promote the construction of a scientific and technological collaborative innovation platform for Military-Civil Fusion. Further strengthen the scientific research work on military-civil conversion and military-civil dual-use ship technology, and support the two-way transfer and transformation of military and civil technologies." "Promote the sharing of military and civilian resources. Further strengthen the sharing and use of R&D design, test and verification facilities, production, and associated resources in the field of ships...Establish a collaborative support system for military and civil products. Accelerate the construction of common military-civil standards for the shipbuilding industry, and promote the unification of military standards and specifications with civilian use in several fields."
13th Five-Year National Strategic Emerging Industry Development Plan	2016-2020	"Construct a strategic emerging industry system for Military-Civil Fusion. Promote mutual compatibility and coordinated development of military and civilian science and technology innovation systems and promote the development of Military-Civil Fusion industry... In areas where military units are concentrated and industries have good industrial bases, promote the two-way transfer of military and civilian technologies and their transformation and applications."

Source: *Office of the U.S. Trade Representative*

But maybe, even though U.S. officials during the unipolar moment had ample available evidence that commercial shipbuilding impacts security, they did not see it. This is also highly unlikely, given how the strategic importance of the commercial shipbuilding sector was occasionally publicly recognized by the U.S. before and during the unipolar moment.

In August 1980, Captain James Fisher and Commander Phillip Coady of the Navy published a report, "U.S. Shipbuilding: The Seventies in Retrospect / The Prospects for the Eighties," which made many claims similar to those I have presented in this paper.[61] They called out how foreign nations, such as Japan, were undercutting U.S. vessel construction thanks to cheaper labor and drew attention to the decline in merchant vessels flying under the U.S. flag. The report also made clear how, of the 12 major private shipyards classified as "principal builders of Navy ships," 11 had previously or currently were engaged in significant commercial construction. Six of those 11 yards, Avondale, Sun, Quincy, Todd Los Angeles, Sparrows Point, and Lockheed, have since closed. Fisher and Coady concluded by warning that the nation should try to "maintain a shipwork industrial base that is responsive to security needs."[62]

In 1984, three years after the decision to end the CDS was made, a report produced by the Congressional Budget Office reflected on the hardships the commercial industry was facing and called out the negative security implications of such a development.[63] It recognized how, since the founding of the United States, shipping and shipbuilding have been important pillars of both the American economy and national security. But if the current pace of maritime support programs were to persist, the United States would lack the sealift and shipyard capabilities it may need in the future for several wartime contingencies. Three solutions were presented: the U.S.

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[61] Fisher and Coady, "U.S. Shipbuilding: The Seventies in Retrospect / The Prospects for the Eighties."
[62] Ibid, 28.
[63] Congressional Budget Office, "U.S. Shipping and Shipbuilding: Trends and Policy Choices."

could re-establish a CDS, increase shipyard demand by mandating that some transport between domestic and foreign ports use U.S.-built ships, or directly procure a larger merchant fleet from U.S. builders. Each of these would have cost billions in annual investment, ranging from $1-4 billion (or $3-12 billion today).

And lastly, even during the unipolar moment, concern was raised, albeit rarely, about how the lack of a domestic commercial shipbuilding industry was harming the United States. During testimony in front of the House Armed Services Committee in 2007, CNO Gary Roughead remarked, “The fact that our shipbuilding capacity and industry is not as competitive as other builders around the world is cause for concern.” He referenced China in particular, noting how they were increasingly growing their share of global production.[64] Nonetheless, no action was taken until recently to revive shipbuilding in the U.S. or tackle China’s dominance.

Capacity Can Be Quickly Rebuilt when Needed

An alternative explanation for why the U.S. might not have invested in commercial shipbuilding is that it felt that any missing shipbuilding capacity it needed could be quickly constructed in the future. There are no public statements from Naval or political officials professing this belief, likely because the underlying assumptions do not appear to have any grounding in the historical record or present reality.

For one, it is unclear how long a naval conflict with China may last; it could range from several weeks of intense fighting to several months or even years.[65] As the Ukraine-Russia war has demonstrated, conflicts in the modern age, which appear likely to be quickly resolved, can

[64] Collins and Grubb, "A Comprehensive Survey of China's Dynamic Shipbuilding Industry," 1.
[65] Cancian et al., “The First Battle of the Next War: Wargaming a Chinese Invasion of Taiwan.”

still become protracted and last for years. But in any case, unless the United States can construct the shipyard capacity, merchant fleet, and combat ships it is lacking in a matter of days or weeks, it will want to have built some of this shipyard infrastructure before the war breaks out. If the United States finds itself in conflict with China, losing ships and unable to construct new ones, the likelihood of Chinese victory will dramatically increase. But as I have established, building shipyard capacity typically takes years. This raises the first issue of whether it would be possible for the U.S. to anticipate a conflict happening a few years in advance and then construct this capacity on time. This hypothetical is riddled with challenges.

First, the decline in skilled labor in the industry over the past few decades is likely to become a significant issue for any efforts to quickly surge shipbuilding capacity. U.S. yards, especially in the modern day, typically hire inexperienced workers and then train them. Shipbuilding is not a high-paying profession, and most workers attempt to leave the industry soon after being trained. Given that recruiting and maintaining talent have become sizeable issues that shipbuilders in the U.S. have been struggling with, even in peacetime, it is hard to see where the skilled labor required to train an influx of new workers will come from during a long conflict.[66, 67] In the early stages of World War II, even though the U.S. invested in shipbuilding years prior, there were still persistent labor shortages at yards as demand rapidly surged.[68]

Setting aside these longstanding and well-covered labor shortages, there is a lack of physical space that can quickly be converted into productive shipyard capacity. When trying to quickly rebuild capacity, the first place to look is the idle or closed yards, seeing as the

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[66] Grady, "Pay 'Number One Issue' in Growing U.S. Shipbuilding Workforce, Panel Tells HASC."
[67] Luckenbaugh, "SPECIAL REPORT: Navy, Industry Try to Reverse Course on Workforce Woes."
[68] Del French*, Waging War on the Home Front*.

waterways in which they are based have proven able to support maritime production.[69] Unfortunately, the closed Naval and commercial yards today are likely to remain closed.

Of the eight yards that built commercial vessels after World War II, just two produced a ship after 1990. Even if these yards could be rebuilt and reopened, they would lack any existing infrastructure or equipment. But setting the issue of age aside, most of the yards that have been closed or idled have been permanently demolished. The Avondale shipyard, a closed commercial yard that most recently produced a ship almost 20 years ago, has been converted into a multimodal logistics hub.[70] Bethlehem Sparrows Point, which last built in 1999, was essentially flattened. Perhaps the most ironic case is Sun Shipyard, once one of the most prolific builders for the Navy during World War II. After the yard closed and the facilities decayed for years, a casino was opened in its place, accompanied by a horse racetrack.[71] Rekindling the 4 Naval yards that have been closed since 1990 would likewise be challenging. The Mare Island and Charleston Navy Shipyards primarily serve as historical sites and museums, while Long Beach Yard was repurposed into a container terminal.

The lack of physical capacity to re-establish, combined with the structural labor issues plaguing the industry, mean any attempt to increase shipbuilding capacity is going to take a significant amount of time, which the U.S. does not have if it is planning on constructing this shipbuilding capacity shortly before or during a conflict as ship demand surges. Expansive and

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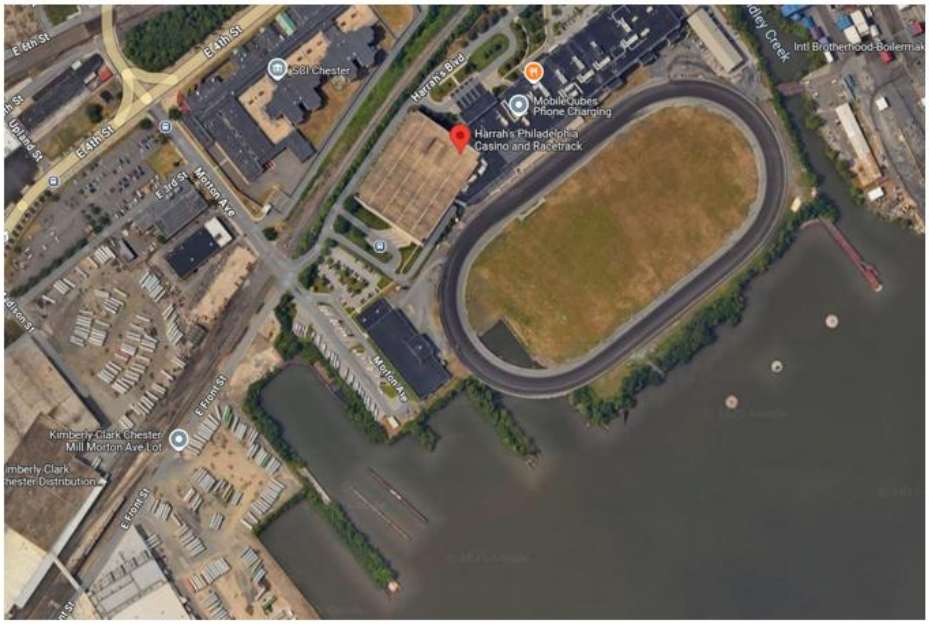
[69] In WW2, the Navy found it far easier to increase shipyard capacity by opening or reopening commercial yards, rather than expanding Navy ones. Davidson, *The Unsinkable Fleet: The Politics of U.S. Navy Expansion in World War II*, 54-63.
[70] "Avondale Global Gateway."
[71] United Steel Workers, "Gambling Away American Safety."

operational Chinese yards, on the other hand, have been busy churning out both commercial and military ships, as showcased below.

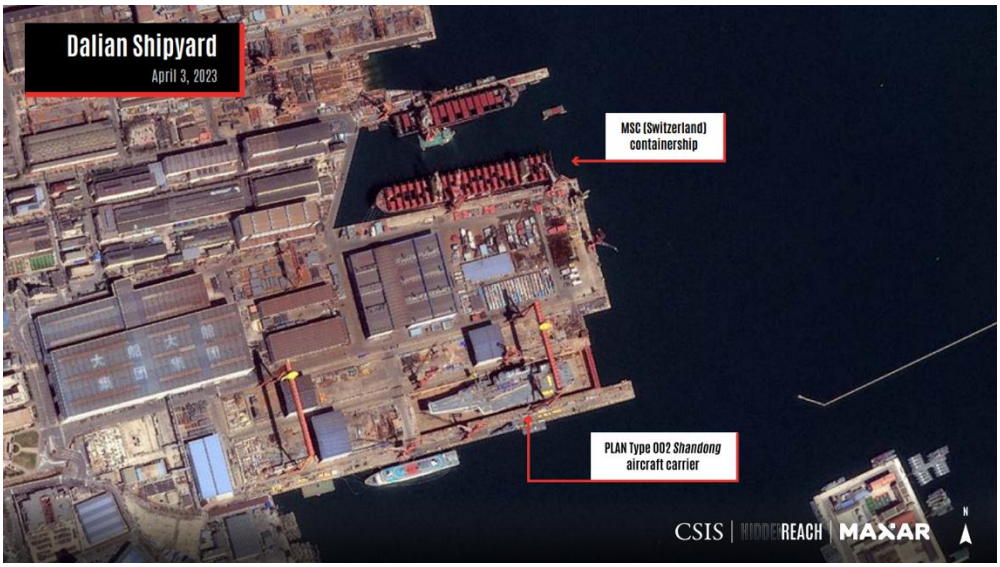
The Casino Built Over Sun Shipyard (2025)



Source: *Google Images*

The Demolished Bethlehem Sparrows Point (2025)

Source: *Google Images*


Dalian Shipyard
April 3, 2023
MSC (Switzerland) containership
PLAN Type 002 *Shandong* aircraft carrier
CSIS | REACH | MAXAR


Huludao (Bohai) Shipyard
November 11, 2019
Highly likely Berge Bulk (Singapore) bulk carrier
PLAN Type 094 nuclear-powered ballistic missile submarine
CSIS | REACH | MAXAR


Longxue Island Shipbuilding Base
March 2, 2022
PLAN Type 903 *Weishanhu* replenishment ship
PLAN Type 054A frigate
HMM (South Korea) containership
CSIS | REACH | MAXAR

The U.S. Lacked the Resources to Invest

The past two explanations have operated from an assumption that the U.S. lacked a motivation to invest in its commercial shipbuilding sector during the unipolar moment, either because the lack of a commercial shipbuilding industry would not negatively affect its security in the future, or because lost shipyard capacity could quickly be rebuilt when needed. Alternatively, the United States could have recognized the strategic importance of commercial shipbuilding to its security in the future, but it was forced to not invest because it lacked the resources to do so. This realist explanation is not satisfactory for two reasons: the U.S. during the unipolar moment did not express concern that the lack of a commercial industry would threaten its security, and it did not face a restriction on its economic resources that would have prohibited it from investing.

If a state views the world through a realist lens and acts accordingly, continuous focus is placed on its relative position in the world and the balance of power between itself and any potentially threatening state. States should try to make the investments they view as necessary to ensure their continued survival because, as realists emphasize, survival is the primary goal of a state.[72] Nonetheless, powerful states, specifically the dominant hegemon in a system, sometimes reduce defense expenditures or avoid investing in their security if they can no longer afford to maintain and fund their expanding commitments.

This can happen because the hegemon's economy naturally grows at a slower rate over time, and domestic non-security expenditures continue growing alongside protection costs at a faster rate than revenues, forcing the state to balance economic prosperity with investments in security. As the hegemon faces restrictions on its resources, emerging powers rise and seek to

[72] Mearsheimer, *The Tragedy of Great Power Politics*, 31.

remake the international system on more favorable terms to them. In response to this threat and the reduced ability of the state to finance its obligations, the hegemon has two potential courses of action to attempt to maintain its position:

> The first and preferred solution is that the challenged power can seek to increase the resources devoted to maintaining its commitments and position in the international system. The second is that it can attempt to reduce its existing commitments (and associated costs) in a way that does not ultimately jeopardize its international position.[73]

Only if the threatened hegemon cannot find more resources or a way to reduce its other commitments will it pass on making investments it recognizes as important to its security.

In the case of commercial shipbuilding, this explanation would hold only if the United States recognized during the unipolar moment that a rising power, namely China, would threaten its position in the future. As I will demonstrate, the United States' political and Naval leadership did not view China as an inevitable threat that would require a commercial shipbuilding industry to effectively compete with. Throughout the unipolar moment, successive administrations maintained that China could rise peacefully without challenging the security of the United States if it was enriched, brought into international institutions, and eventually transformed into a democracy.

But even if the U.S. believed it would likely engage in a great power competition with China in the future and thus would need a commercial shipbuilding sector to effectively compete, it would be wrong to claim the reason the U.S. did not invest was

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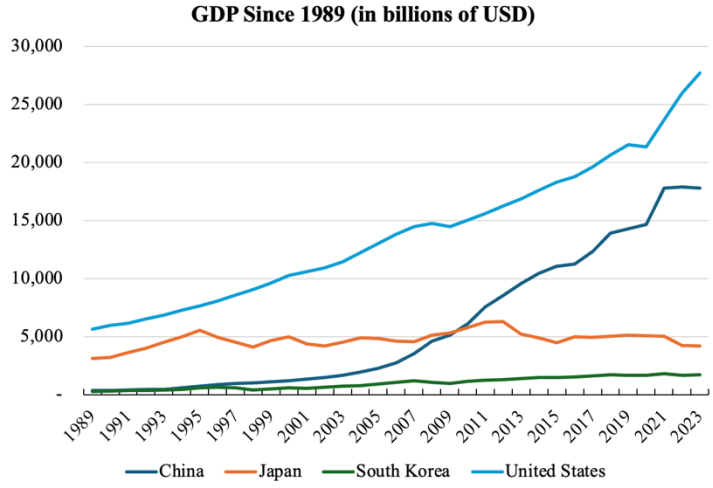
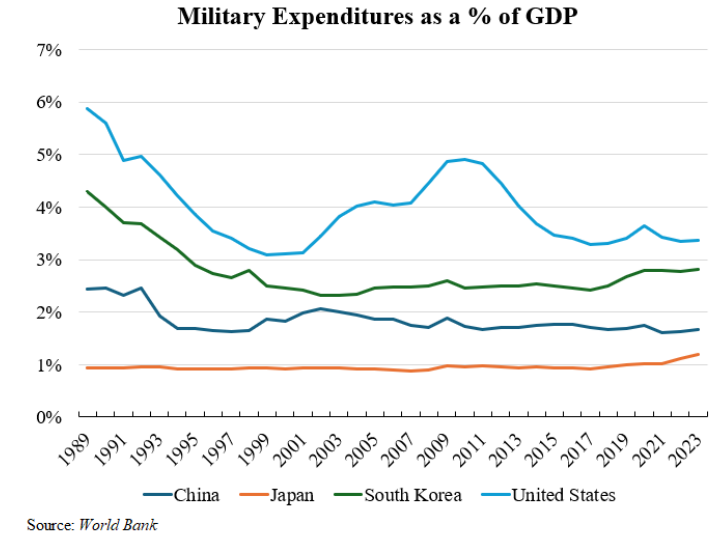
[73] Gilpin, *War and Change in World Politics*, 188.

because it lacked the economic resources to do so. During the unipolar moment, the United States' economy and defense expenditures consistently exceeded those of China, Japan, and South Korea. Nonetheless, all three nations were able to allocate resources towards investing in their shipbuilding sectors, especially China. Even if the United States had invested around $13-15 billion annually into its shipbuilding sector, around what China is estimated to have done from 2006-2018, this would still have equated to at most roughly 0.1% of GDP, or less than 2.6% of military expenditures. Rather, the decision not to invest in shipbuilding reflects the United States pursuing different priorities based on areas it viewed as more important to its security and future prosperity at the time.



Source: *World Bank*



Source: *World Bank*

Domestic Forces Pushed the U.S. to Not Invest

In the prior explanation, a state acts according to realist dictates and pursues its survival before all other objectives. But due to a lack of resources, it is unable to make the investments it recognizes as crucial to security. However, states do not always behave as realists predict, and a great power may act against its long-term security interests if domestic forces lead a state to prioritize other objectives over security. Domestic interest groups, individuals, and political actors can all influence a state and push it to pursue different objectives, even if they come at the expense of what is best for the nation as a collective.[74] For example, in *The Israel Lobby and U.S. Foreign Policy*, Mearsheimer and Walt argue that the United States' unwavering, unconditional support of Israel through economic, diplomatic, and military means has been influenced by individuals and domestic organizations motivated by political, ideological, or religious reasons and has ultimately come at the expense of the U.S. national security.[75]

The influence of individual decisions and preferences on the state and its longevity is hardly a new phenomenon. Ibn Khaldun, in his 14th-century book the Muqaddimah, famously wrote about how, as societies become more developed and urbanized, they become excessively luxurious and sedentary. As expenditures grow and society continues being corrupted, the ruler's need to extract more from the individuals to maintain the spending on luxury grows. This continued corruption and straining of the economy sows the seeds for the inevitable collapse of a city, which repeats throughout history.

The important distinction with the first explanation is that the state in this story is not acting according to realist dictates and prioritizing security above all other objectives. Domestic

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[74] Ibid, 96.
[75] Mearsheimer and Walt, *The Israel Lobby and U.S. Foreign Policy*.

politics, ideology, or other internal factors drive the state to act against its long-term strategic interests and survival. Although the Reagan administration first stopped subsidizing commercial shipbuilding towards the end of the Cold War and explained its cost-cutting with ideological and economic justifications, it is wrong to view this decision in a vacuum and assume it would have come at the expense of U.S. security. Reagan did not want to subsidize the economically uncompetitive U.S. commercial sector, but there was no doubt that lacking shipbuilding capacity would impact the nation's security. By expanding the Navy to 600 ships, Reagan sought to maintain ample shipbuilding capabilities by cutting down the commercial industry and supporting the Naval shipbuilding sector in its place.[76]

But after the fall of the Soviet Union, the United States scaled down its fleet targets, closed shipyards, and simultaneously chose not to invest in a commercial shipbuilding sector. This all occurred while China, the United States' future peer competitor, began accumulating wealth and building up its industrial capacity, especially in commercial shipbuilding.

The decision to abstain from investing in commercial shipbuilding was not due to domestic forces overpowering strategic concerns about the rise of China, because there were no significant calls made to revive a commercial sector, and thus no pushback against the idea. Political and Naval leaders both believed that promoting trade and economic engagement with China could lead it to rise peacefully and not challenge the United States' security.

Even among lobbying and business groups, little concern was directed towards the commercial industry and China's dominance of global production until recently. And rather than lobbying against investing in shipbuilding, the newfound forces from domestic groups concerned

[76] Polmar, "The U. S. Navy: Toward a 600-Ship Fleet."

with shipbuilding have mostly come out in favor of subsidization. Most prominently, the United Steel Workers and four other unions filed a petition with the U.S. Trade Representative in 2024 calling for an investigation into China's shipbuilding practices. The result of this probe, one year later, was the publication of the USTR's report on China's dominance of commercial shipbuilding, which called out China's subsidization of its sector.

Although there were sporadic articles coming out against industrial policy and subsidies from groups like the Cato Institute during the 2000s, there is no evidence that these had any bearing on U.S. maritime policy. Cato and other groups with similar ideology repeatedly called for an end to the other notable piece of government policy aimed at protecting domestic shipbuilding, the Jones Act.[77] Yet there were only occasional discussions, and no enacted legislation, during the unipolar moment focused on repealing or reforming the Jones Act, which itself indirectly costs taxpayers money by raising the cost to ship goods within the U.S.

VII. The U.S. Did Not Anticipate a Security Competition with China

Political Leaders Believed China Could Rise Peacefully

I have argued to this point that the lack of a commercial shipbuilding industry negatively impacts the security of the U.S. in a great power naval competition with China. But seeing as this should have been apparent during the unipolar moment, why did the U.S. not make investments in its commercial shipbuilding base when China did? I argue this is because the U.S. did not view a great naval power war and security competition with China as an inevitable occurrence in the future, even as China became more powerful and wealthy.

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[77] Klein, "What everyone got wrong about the Jones Act, hurricane relief, and Puerto Rico."

The fall of the Soviet Union represented a monumental shift in the global balance of power, with the U.S. finding itself left as the sole great power in the system. Unlike during the Cold War, the United States did not have to concern itself with the balance of power among great powers because no other great powers existed.[78] This meant it could pursue a liberal foreign policy and promote economic development, democracy, and integration in international institutions across the world.[79] It did not necessarily matter if rising states like China became wealthier and more industrialized as a result; if this strategy was successful and liberal theories proved correct, the U.S. would find itself in a structurally more peaceful and prosperous world. Successive administrations, from H.W. Bush to Obama, believed in this logic and maintained that engagement with China would help reduce the risk of conflict between it and the United States in the future.[80]

Towards the end of the Cold War in 1989, President H.W. Bush took office and continued a strategy of engagement with China that was first born out of a realist desire under the Nixon administration to capitalize on the Sino-Soviet split.[81] But by the end of the Cold War, the initial logic underpinning engagement no longer applied, and its continued use was now justified with liberal theories. As President H.W. Bush made clear in his 1988 RNC acceptance speech,

> The spirit of democracy is sweeping the Pacific rim. China feels the winds of change. New democracies assert themselves in South America. And one by one, the unfree places fall, not to the force of arms but to the force of an idea: Freedom works.[82]

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[78] Fukuyama, “The End of History?” 3–18.
[79] Mearsheimer, *The Great Delusion: Liberal Dreams and International Realities*.
[80] Nye, "What Killed US-China Engagement?"
[81] Watanabe, “US Engagement Policy toward China: Realism, Liberalism, and Pragmatism.”
[82] The American Presidency Project, “Address Accepting the Presidential Nomination at the Republican National Convention in New Orleans.”

Throughout his administration, H.W. Bush was determined to maintain close diplomatic and economic ties with the P.R.C., even as internal developments in China and domestic politics in the U.S. tested this strategy. In the wake of the crackdown on pro-democracy protests in June 1989, H.W. Bush resisted domestic pressure to sanction China for their actions and just weeks later dispatched his national security advisor to China, who was tasked with smoothing over relations and making clear the U.S. still sought to engage with the country.[83] H.W. Bush maintained optimism throughout his life that a strong U.S.-China relationship could produce lasting peace, writing in *The China Diary* that "One of my dreams for our world is that these two powerful giants will continue working toward a full partnership and friendship that will bring peace and prosperity to people everywhere."[84]

President Clinton continued to pursue a strategy of engagement with China and sought to advance China's economic integration by renewing its most-favored-nation trading status and eventually bringing the country into the World Trade Organization. Although Clinton criticized H.W. Bush during the 1992 presidential campaign for extending Most Favored Nation (MFN) status to China after their student protest crackdowns, Clinton reversed course upon inauguration and formally announced he would "de-link" China's trading status from its human rights records because it would be in the broader strategic interest of the United States.[85] Six years later, after repeatedly renewing China's MFN status, Clinton aggressively lobbied Congress to permanently grant China normal trading privileges, paving the way for their ascension into the World Trade Organization (WTO) in 2001. Clinton considered passage of the act a "crowning foreign policy

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[83] Carpenter, "George H.W. Bush's Shameful Kowtow to China: a Cautionary Tale."
[84] Westcott and George, "How George H.W. Bush became Beijing's 'old friend' in the White House."
[85] Broder and Mann, "Clinton Reverses His Policy, Renews China Trade Status : Commerce: President 'de-links' most-favored-nation privilege from human rights. He admits failure of earlier course and says broader strategic interests justify switch."

triumph," and George W. Bush, then governor of Texas, praised the Republican-led House for taking a "historic step toward continued prosperity in America, reform in China and peace in the world."[86] China was poised to continue liberalizing as it was brought into international institutions and increasingly traded with more nations outside the world.[87] George H.W. Bush also had previously expressed approval at China's increasing economic integration, saying,

> So, it comes down to the strength of our belief in the power of the democratic idea. If we pursue a policy that cultivates contacts with the Chinese people, promotes commerce to our benefit, we can help create a climate for democratic change… No nation on Earth has discovered a way to import the world's goods and services while stopping foreign ideas at the border. Just as the democratic idea has transformed nations on every continent, so, too, change will inevitably come to China.[88]

President George W. Bush continued Bill Clinton's legacy of criticizing his predecessor's engagement with China on the campaign trail before pursuing largely the same policy after inauguration. The administration began with significantly more realist language and rhetoric targeting China, with Bush arguing on the campaign trail China should be recognized as a "strategic competitor", not a "strategic partner", and figures like Condoleezza Rice, who went on to serve as Bush's National Security Advisor and Secretary of State, making clear that "China is a great power with unresolved interests" that "is not a "status quo" power but one that would like to alter Asia's balance of power in its own favor."[89] Still, figures like Rice believed economic

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[86] Schmitt and Kahn, "THE CHINA TRADE VOTE: A CLINTON TRIUMPH; HOUSE, IN 237-197 VOTE, APPROVES NORMAL TRADE RIGHTS FOR CHINA."
[87] Van Dusen, "The Tragic Legacy of Bill Clinton's China Doctrine."
[88] The American Presidency Project, "Remarks at the Yale University Commencement Ceremony in New Haven, Connecticut."
[89] Rice, "Promoting the National Interest," 55-56.

engagement with China had a solid chance at promoting political liberalization and democratization and thus should be maintained.

Nonetheless, the 9/11 attacks and subsequent War on Terror diverted the administration's attentions and re-ignited optimism that China could be a constructive partner for the United States and rise without threatening U.S. interests.[90] China's support for U.S. counter-terrorism efforts led the Bush administration to join the previous administrations in welcoming "a China that is peaceful and prosperous, and that actively participates in and contributes to international institutions." To this end, the U.S. made clear it had no intention of containing China but instead wanted to "help channel China's growing influence in a positive direction."[91] By 2003, the Bush team had reversed course on its initial inclination to treat China as a "strategic competitor" and had returned to believing it could become a "responsible stakeholder" in the international system.[92] By Bush's second term, he made clear that the United States would continue working towards the spread of democracy, institutions, and the rule of law across the globe with the "ultimate goal of ending tyranny in our world" and thereby safeguarding the nation's security.[93]

The Obama administration was the last to credibly pursue engagement with China and hold out hope it could rise peacefully and become a "responsible player" in the international system. Despite the administration's well-publicized "Pivot to Asia" in 2011 calling for increased focus on the region, policy towards China remained largely constant and still rooted in liberal international relations theories. In 2014, President Obama made that clear.

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[90] Lee, "George W. Bush's Post-9/11 East Asia Policy: Enabling China's Contemporary Assertiveness," 587–611.
[91] Department Of State, "China's Role in the World: Is China a Responsible Stakeholder?"
[92] Lee, "George W. Bush's Post-9/11 East Asia Policy: Enabling China's Contemporary Assertiveness," 587–611.
[93] NPR, "President Bush's Second Inaugural Address."

> For decades, America's engagement in the Asia Pacific, including our alliances and our stabilizing presence, have been a foundation for the region's progress, including contributing to China's remarkable economic growth. The United States has worked to expand trade and investment with China, and to help integrate China into the global economy. And we want that progress to continue because, as I said before, it benefits all of us.[94]

This strategy of engagement ultimately came to an end with the first Trump administration, when China was finally recognized as a strategic competitor to the United States, intent on "challenging American power, influence, and interests."[95] Chinese economic and industrial development was no longer viewed as a driver of peace, but as a negative development for U.S. security. The following years were characterized by heightened economic decoupling, initiated trade wars, and newfound sanctions enacted on Chinese technology companies, like Huawei.

Under the Biden administration, this newfound competition only intensified and grew to encompass new sectors the U.S. viewed as strategically important. Chinese firms faced increasing restrictions on access to advanced semiconductors and semiconductor manufacturing equipment, legislation forcing the eventual divestiture of TikTok from Chinese ownership was enacted, and, most importantly for this paper, a U.S. Trade Representative probe concluded that China had unfairly dominated the global commercial shipbuilding sector and could face penalties as a result.[96]

In his second term, President Trump has made clear that engagement with China and the promotion of deeper economic integration would give way to intensified competition in the

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[94] The White House, "Remarks by President Obama and President Xi Jinping in Joint Press Conference."
[95] The White House, "National Security Strategy of the United States of America."
[96] Shalal, "Exclusive: US probe finds China unfairly dominates shipbuilding, paving way for penalties, sources say."

economic, technological, manufacturing, and security realms. New tariffs have been placed on Chinese exports, and Trump has placed special emphasis on China's dominance of the commercial shipbuilding sector, building on the findings of the probe launched by the Biden administration.[97] Since his inauguration, President Trump has proposed charging excess port fees on Chinese commercial vessels and creating the Office of Shipbuilding, to be tasked with "resurrect[ing] the American shipbuilding industry, including commercial and military shipbuilding", which will "have a huge impact to further enhance our national security."[98,99]

The key driver behind this newfound concern regarding China's industrial and economic development and the United States' relative vulnerability in sectors like shipbuilding is the recognition that engagement failed to turn China into a peace-seeking liberal state and that the risk of great power security competition and conflict had not been reduced. As former-NSA Jake Sullivan summarized in 2023:

> In the decades following World War II, the country had pursued a policy of bold public investment, including R&D in strategic sectors. That strategy underpinned its economic success, but over time, the United States moved away from it. … In the exuberance of "the end of history," many observers asserted that geopolitical rivalries would give way to economic integration, and most believed that new countries brought into the international economic system would adjust their policies to play by the rules.[100]

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[97] Phillips-Grantham, "Trump has begun another trade war. Here's a timeline of how we got here."
[98] Baertlein and Lawder, "Trump's port fees on Chinese ships threaten US maritime industry, say executives."
[99] The White House, "Remarks by President Trump in Joint Address to Congress."
[100] Sullivan, "The Sources of American Power."

In other words, if the U.S. believed China could rise peacefully and would not necessarily threaten its core interests and security, it didn't matter if strategically important goods like commercial ships were increasingly purchased from and manufactured in China and Asia. The U.S. was not going to have to engage in a maritime security competition with China, so the lack of a commercial shipbuilding industry was not a problem. These shortcomings in the U.S. industrial base could instead be positive developments. Not only did increased shipbuilding in Asia allow the U.S. to purchase and transport critical goods and vessels cheaply, but the expansion of trade and enrichment of these rising states would push them to liberalize and eventually become responsible stakeholders in the U.S.-led international order.

Although some realists cautioned that engagement with China would only turn it into a more powerful future competitor and that the unipolar moment, lacking great power conflict, would not last forever, successive administrations throughout the unipolar moment nevertheless pursued it and believed doing so would contribute to a more peaceful future.[101,102] The logic underpinning engagement eventually crumbled as the U.S. recognized China was determined to upset the U.S.-led international order and once again seriously considered the risk of fighting a conflict with it. Only after engagement died and the U.S. recognized it was in an intense great power security competition did the Biden and Trump administrations begin expressing concern about China's dominance of commercial shipbuilding and trying to revive the sector in the U.S.

[101] Layne, "The Unipolar Illusion: Why New Great Powers Will Rise," 5–51.
[102] Mearsheimer, "The Inevitable Rivalry."

The Navy's Objectives and Perceived Threats During Unipolarity

Like the political leaders during the unipolar moment, the Navy also did not believe China would be an imminent threat to the U.S. in the future and did not prepare itself for engaging in a great power naval competition. Instead, the Navy pursued forward presence, aimed in part to further liberal objectives like economic interdependence and democratization. As this section will make clear, it would be a mistake to assume Navy elites recognized the threat of China, her shipbuilding dominance, or the vulnerability of lacking a domestic commercial industry. For most of the unipolar moment, the Navy justified forward presence with the same liberal theories that underpinned U.S. engagement with China, namely that the spread of democracy and free trade could contribute towards peace in the international system.

After the end of the Cold War, the Navy continued pursuing a strategy of forward presence, which was aimed at maintaining deterrence across the globe, projecting power, and ensuring regional stability and the free flow of trade.[103] Although forward presence had been implemented during the Cold War for purposes like crisis management, "preventing superpower war, enabling success in such a war if it did break out, demonstrating resolve, either raising or lowering others' "influence," fighting terror, and upholding the global economy and its liberal norms," its contribution towards the spread of liberalism and economic interdependence was more heavily emphasized during the unipolar moment after the Soviet threat disappeared.[104]

After the end of the Cold War, the Navy published a strategy piece attempting to outline what new threats and objectives the fleet should have now that the U.S. lacked a great power rival. This marked the beginning of forward presence being increasingly redefined as a tool to

[103] Mahnken, "Forward Presence in the Modern Navy: From the Cold War to a Future Tailored Force."
[104] Panter, "The Illogic of Naval Forward Presence."

advance liberal objectives like fostering economic growth and greater interdependence, with the recognition that,

> Events since the summer of 1989 have brought a fundamental shift in the post-World War II balance of power. No longer do we have the sense of certainty that accompanies a bipolar world power structure and a central, agreed-upon threat… We must reshape naval force structure, strategy, tactics, and operating patterns that are wedded too closely to the concept of an Armageddon at sea with the Soviet Union… It also will remain in our interest to contribute to the maintenance of a stable and secure world—a world that will advance the welfare of all peoples, within an environment that fosters economic development and furthers individual freedom and human rights.[105]

With this statement, the Navy expressed a belief that the interests of the United States and global stability were increasingly intertwined with the economic prosperity of people around the world. The Navy would continue to orient itself around maintaining forward presence throughout the coming years, justified in large part by its seeming contribution towards advancing economic interdependence and the spread of liberal values. The absence of a great power naval competitor gave the Navy the ability and opportunity to pursue this strategy and orient its forces around sustained deployment.

In 1992, the Navy published the whitepaper *...From the Sea*, which sought to advance the strategy and shape of the Navy and Marine Corps in the coming century. With the fall of the Soviet Union, the United States and "free nations of the world claim

[105] Kelso et al., "The Way Ahead."

preeminent control of the seas and ensure freedom of commercial maritime passage."[106] More importantly, the threats and wars the United States anticipated having to fight in the future would be regional and spread across the world, a shift "away from open-ocean warfighting on the sea" and the fears of clashes between two great power navies, which informed strategy during the Cold War.[107,108] The Navy would increasingly focus on being able to project power from the coastlines–"littoral area"–around the world into areas where regional threats may emerge. Absent from this document were any warnings or considerations about future great powers rising and threatening the United States' newfound dominance of the seas.

The focus on littoral regions and forward presence picked up steam in the following years as the Navy adjusted to a new threat environment lacking a great power rival. By the turn of the millennium, Navy leadership had committed to the principles of forward presence outlined in *...From the Sea*, with incoming Secretary of the Navy Richard Danzig writing in 1999 that "the notion that we are projecting power onto the littorals provide[s] us with the right conceptual framework for a new age in which we're not fighting a major power in the open ocean, but rather attempting to influence activities on the land."[109]

The 9/11 terrorist attacks and the subsequent War on Terror would test the new direction of the Navy and offer concrete examples of the type of threats the U.S. expected to prominently face in the unipolar moment. But rather than discredit forward presence, the threat of terrorism and rogue regional states only gave a newfound justification for forward

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[106] Department of the Navy, "…From the Sea: Preparing the Naval Service for the 21st Century."
[107] Ibid, 1.
[108] Ward, "Review of *Strategy Shelved: The Collapse of Cold War Naval Strategic Planning*, by Steven T. Wills," 225-226.
[109] Danzig, "What Will This SecNav Do?"

presence and would occupy the Navy's attention for the early 2000s. In an interview roughly two years after the 9/11 terrorist attacks, returning Secretary of the Navy Gordon England repeatedly emphasized how the U.S. found itself in a novel type of war, one against terror, which would likely last decades. The threat of terrorism promised to bring virtually all nations of the world interested in freedom and liberty together, meaning any consideration of great power rivalries was no longer top of mind.[110] The prior year, Chief of Naval Operations (CNO) Admiral Vern Clark emphasized in the Sea Power 21 transformation plan that the U.S. faced new dangers it would have to adjust to, such as "widely dispersed and well-funded terrorist and criminal organizations, and failed states that deliver only despair to their people."[111] Although the Navy would likely still face regional threats, the primary future dangers would be transnational threats like terrorism.

This belief in increased cooperation among the nations of the world interested in fighting terrorism closely aligns with the shift that occurred amongst the political leadership of the Bush administration at the time – from briefly labeling China as a strategic competitor to a potential partner in the War on Terror and future responsible stakeholder in the international system. As deputy secretary of defense five years later, England would maintain that a principal objective of the U.S. remained encouraging China to be a constructive and peaceful force in the Asia-Pacific and a partner on global issues.[112]

Clark's successor, Michael McMullen, worked with Clark on Sea Power 21 and made clear in his published eight tenets outlining his vision for a 21st-century Navy that he would continue a similar policy. His vision for the Navy involved it increasingly being

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[110] Peterson, "One War, One Team, One Fight: Interview with Gordon R. England."
[111] Clark, "Sea Power 21: Projecting Decisive Joint Capabilities."
[112] Congressional Research Service, "U.S.-China Military Contacts: Issues for Congress."

concerned with terrorism, but also with the internal economic, social, and political development of other states across the globe. Economic inequality, humanitarian crises, and social instability all threatened to breed extremism and terrorism, which could harm U.S. security in the future.

In the coming years, economic development and globalization continued to advance, driving a newfound emphasis on the importance of protecting free trade and furthering economic interdependence, especially as China began to develop. In 2008, senior leaders of the Navy, Marine Corps, and Coast Guard published *A Cooperative Strategy for 21st Century Seapower*, which aimed to create a unified maritime strategy in response to the present threat environment. More than any document before it, *Cooperative Strategy* emphasized how forward presence and Navy strategy increasingly would be justified and informed by heightened economic development, globalization, and interdependence. The new global economy the U.S. maritime forces operated in was tightly interconnected, increasingly prosperous, and riddled with the threats of rogue regimes and transnational actors that threatened common prosperity and human rights. The maritime forces would thus rely on forward presence to "protect and sustain the peaceful global system comprised of interdependent networks of trade, finance, information, law, people and governance" that makes the U.S. safe and prosperous.[113]

This fundamentally liberal belief, that a stable and economically interconnected international system would advance U.S. security and interests, continued to guide the Navy roughly until 2018, when the political leadership also recognized the increased threat

[113] Conway, et al., "A Cooperative Strategy for 21st Century Seapower," 1-5.

of China. Secretary of the Navy Ray Mabus, who served from 2009 to 2017, continued to emphasize the important task of protecting the interconnected international trading system, explaining in 2015 that the Navy has played an indispensable role in promoting economic growth and stability in the international system, which has benefited not just other developing nations around the world but also the United States.[114] When asked a year later whether he was concerned about China's construction of fortifications in the South China sea, Mabus reaffirmed the Navy would continue working with and engaging China in the hopes that it would "assume the responsibilities of a naval power, to work with us, and to make sure that freedom of navigation is ensured."[115]

The 2018 *National Defense Strategy* put an end to the belief that China could rise peacefully without seeking to challenge U.S. interests and made clear that the greatest threats the U.S. would face in the future would be from rival great powers, namely China and Russia, and not terrorism or rogue states. The rules-based international order the U.S. had worked to foster was eroding, and it was clear that rising powers like China would seek to challenge it. Although Russia and transnational actors still existed to disrupt international stability, China was the preeminent challenge to U.S. security given its size, wealth, and military modernization.

With the new analysis of the threat environment and a recognition that great power conflict with peer competitors like China was now the principal threat the United States would face, Navy leadership began expressing more concern about the ability of its maritime forces and the associated industrial base to effectively compete in inter-state

[114] DOD News, "Navy Secretary Explains Significance of Sea Power."
[115] Griswold, "Navy Secretary speaks on US maritime partnerships in Asia."

strategic competition. In October 2021, Carlos Del Toro, who served as Secretary of the Navy from 2021 to 2025, stated the "long-term challenge posed by the People's Republic of China [(PRC)] is the most significant" challenge facing the Navy.[116] The remainder of his tenure would be marked with increasing focus on China's shipbuilding capabilities and the United States' shortcomings, from both himself and the broader maritime community. As Del Toro recognized at the 2024 National Maritime Day ceremony, "history reveals that no nation has endured as a great naval power without also being a commercial maritime power, both in shipbuilding and shipping…and for the first time in 125 years, we have a full-spectrum, global maritime competitor."[117] From roughly 2023 onwards, the importance of modernizing and strengthening the shipbuilding industrial base, across both the government and commercial sectors, was emphasized to a degree not seen during the unipolar moment.[118,119] While touring a Navy shipyard in Alabama, CNO Lisa Franchetti made clear her job would prioritize investing in the shipbuilding and the defense industrial base to accelerate production of ships and submarines critical to the United States' national security.[120] Likewise, Secretary Del Toro in March 2024 toured major shipyards in South Korea and called on foreign shipbuilding companies to invest in U.S. yards and help improve their operations. A few months later, Philly Shipyard, one of the last remaining commercial shipyards in the U.S., announced plans to be acquired by South Korean commercial and military shipbuilder Hanwha.

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[116] Comer, "Letter to the Honorable Carlos Del Toro."
[117] United States Navy, "SECNAV Del Toro Discusses Building Comprehensive U.S. and Allied Maritime Power at National Maritime Day Ceremony."
[118] Bennet, "US Navy Secretary Carlos Del Toro Highlights Defense Industrial Base Priorities in Strategic Guidance."
[119] Gomez, "Rebuild the Merchant Marine."
[120] Lagrone, "CNO Franchetti Focused on Growing Shipbuilding, Weapons Industrial Base."

In sum, the Navy after the Cold War found itself struggling to define a new strategic purpose without a great power rival. It continued the Cold War doctrine of forward presence but increasingly emphasized how it would be used to advance U.S. interests by furthering economic interdependence and free trade, helping create a more stable and prosperous world. By the turn of the millennium, the Navy defined terrorism to be the primary threat it faced and oriented itself around fighting rogue regimes and transnational threats to the U.S.-led international system. As economic growth and globalization picked up, the Navy once again returned to justifying its strategy with liberal economic theories and made clear its primary objective was fighting threats to this new economic system, enriching countries around the world. Only after China became recognized as the primary threat the U.S. faced did Navy leadership begin expressing concern about the decline in the shipbuilding industrial base and the United States' capabilities of generating force and fighting a great power naval conflict. It should be clear from these two prior sections that for virtually the entirety of the unipolar moment, there was little daylight between the political and Naval leadership when it came to the assessment of the threat posed by China and the risk of engaging in a great power security competition with it in the future.

VIII. Concluding Thoughts

The Relevance of the Nuclear Revolution

I have argued that the United States did not invest in commercial shipbuilding during the unipolar moment because it lacked a security-based incentive to do so. Political and Naval leaders believed engagement with China could turn it into a prosperous, liberal state that would rise peacefully, not a peer maritime competitor that would inevitably challenge U.S. interests. By

2017-18, the United States recognized the threat China posed to its security and, after 2023, efforts to revive domestic commercial shipbuilding began in earnest. But what explains the lack of serious action in the years following 2017-18 after the China threat was first recognized?

I contend this gap can be explained by the prevalent belief that conventional wars between great nuclear powers were extremely unlikely to occur and would be limited in scope and quick to resolve if they did. The logic underpinning this belief is tied up with the theory of the nuclear revolution, advanced prominently by Kenneth Waltz and Robert Jervis. Waltz, highlighting the awesome destructive power of nuclear weapons and the fear states have of an opponent's second-strike capabilities, argued that no nuclear state would seek to initiate a conflict that could result in its destruction. Thanks to these revolutionary new weapons, "the probability of major war among states having nuclear weapons approaches zero."[121] Jervis was likewise clear that the introduction of nuclear weapons dramatically reduced the possibility of large-scale, great power wars, because "if a major war occurred, they would be destroyed."[122]

In other words, the nuclear revolution almost eliminated the possibility that great nuclear powers could find themselves engaged in large-scale, protracted wars with one another. This is in stark contrast to the history of wars between modern nation-states before the introduction of nuclear weapons. Prior conflicts, such as World War I and World War II, were defined by the mobilization of society, especially industrial production, towards the war effort, the likelihood of becoming protracted affairs, seldom being settled in quick victories, and a tendency to escalate to the extreme. In a world where great powers find themselves engaging in these protracted, large-

[121] Waltz, "Nuclear Myths and Political Realities", 740.
[122] Jervis, "The Nuclear Revolution and the Common Defense," 690.

scale conventional wars, a domestic industrial base becomes far more strategically important to national security, as it is crucial to supporting the country in such a conflict.

Recent Demonstrations That the U.S. Industrial Base Needs Investment

It should come as no surprise, then, that the United States, after 2017-18, did not immediately turn its attention to its industrial base and decide to invest in it. Over 25 years had passed since the United States last had to contend with a non-unipolar international system after the collapse of the Soviet Union. The most recent protracted, large-scale conventional conflicts it fought, albeit indirectly, against rival great powers were the Korean and Vietnam Wars, which concluded over forty years before the U.S. recognized the China threat. As a result, the U.S. industrial base had not been required to support a major conventional conflict for decades, and its capacity to do so was unknown. The United States, after 2017, needed a reminder that it could still end up fighting protracted, large-scale conventional wars against rival great powers and evidence that its industrial base at present would be unable to support the country in such a conflict. Between 2020 and 2023, a series of developments delivered exactly that.

The first of these catalysts was the 2020-2023 COVID-19 supply chain disruptions, which exposed the United States' dependence on Asia for strategically and economically important goods like semiconductors. Due to a combination of pandemic-induced lockdowns, a surge in chip demand, and adverse weather conditions in Taiwan, the United States faced supply shortages for years. In the global automotive industry alone, production losses related to the shortage were estimated to have cost as much as $110 billion in 2021.[123] In response, the U.S. initiated several measures to drive more manufacturing to the United States, notably the 2022

[123] Wayland, "Chip shortage expected to cost auto industry $110 billion in revenue in 2021."

CHIPS and Science Act. The COVID-19 supply chain crisis, while not stemming from any war in the region, became a valuable lesson on just how dangerous U.S. reliance on Asia could be, especially in the event of a conflict there. As Treasury Secretary Scott Bessent explained when justifying the Trump Administration's push to re-shore manufacturing,

> We've gone to a highly financialized economy. We've stopped making things—especially a lot of things that are relevant for national security. I think one of the few good outcomes from COVID was we had a beta test for what maybe a kinetic war with a large adversary could look like. And it turned out that these highly efficient supply chains were not strategically secure. So we don't make our own medicines. We don't make our own semiconductors. We don't make our own ships anymore. So I think if I were to say, "Was there any good outcome from COVID?" it was—it woke the world up to these supply chain problems. So economic security is national security.[124]

Beginning two years later, the Russian invasion of Ukraine revealed not only that the U.S. industrial base was ill-equipped to support a protracted, large-scale conventional conflict, but also that such conflicts could still occur. Until it became evident that Ukraine's 2023 counteroffensive had failed, the United States believed, or at least hoped, that the war might be resolved quickly and remain fairly limited in scope. But as it became clear both sides were locked in a war of attrition, the U.S. was forced to realize that its industrial base would struggle to produce the armaments required for such a conflict.

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[124] United States Department of the Treasury, " Transcript of U.S. Treasury Secretary Scott Bessent Interview with Tucker Carlson on President Donald Trump's Tariff Plan and Its Impact on the Middle Class," 1.

Leading up to the invasion, U.S. officials envisioned a Russian invasion force exceeding 100,000 taking Kyiv within days.[125] When this proved not to be the case, the U.S. and allies rushed to provide additional security assistance to Ukraine. Over the coming months, the West placed an unprecedented degree of sanctions on Russia to degrade its ability to sustain the war, which initially appeared effective. And thanks to an inflow of new weapons and Russian logistical challenges, the Ukrainians were able to push Russia out of northern Ukraine and key cities like Kharkiv in quick succession by the end of 2022.

This laid the groundwork for a counteroffensive in June 2023, which was intended to create a decisive breakthrough. But by the end of the year, the operation was widely recognized as a failure by both Ukraine and its Western supporters. Ukraine and Russia were now locked in a protracted war of attrition, with no end in sight. This development took both Ukraine and the U.S. by surprise. As Commander-in-Chief of the Ukrainian Armed Forces later remarked "if you look at NATO's text books and at the maths which we did [in planning the counter-offensive], four months should have been enough to have reached Crimea, to return from Crimea, and to have gone back in and out again."[126] General Mark Milley, chairman of the Joint Chiefs of Staff, concurred: "it's going slower than people anticipated, [from] the war games that were done where we help them to do their war gaming and planning."[127]

The unexpected persistence of the war has resulted in a significant depletion of the United States' weapons stockpiles and has highlighted challenges in replenishing the inventory. Since the conflict broke out, the United States has sent Ukraine thousands of

[125] BBC, "Ukraine tensions: US sources say Russia 70% ready to invade."
[126] The Economist, "Ukraine's commander-in-chief on the breakthrough he needs to beat Russia."
[127] Martin, "Gen. Mark Milley on seeing through the fog of war in Ukraine."

Javelins, Stingers, and millions of 155mm artillery shells. Restocking this inventory, assuming the conflict ends, would take over five years at surge levels of production.[128] Years of neglect towards the state of the military industrial base have contributed to these shortfalls.[129]

As the war in Ukraine became increasingly protracted, the outbreak of the Israel-Hamas war in 2023 placed additional strain on U.S. armament production. Shipments to Israel and Ukraine have increasingly come at the expense of one another, and the United States' effort to support both conflicts has led to some weapons originally intended for Taiwan being diverted elsewhere.[130]

Taken together, the disruption of global supply chains during COVID-19, the unexpected scale and duration of the war in Ukraine, and the recent outbreak of conflict in the Middle East exposed the United States to a sobering reality: protracted, large-scale conventional wars remain possible, and the country currently lacks the industrial base required to fight one. While the recognition of China as a security threat beginning in 2017-18 marked a turning point in U.S. strategic thinking, it did not, by itself, catalyze investment into the domestic industrial base. The shift toward industrial investment in critical sectors in recent years, including, but not limited to, shipbuilding, comes in response to a series of shocks to the United States that highlighted its industrial vulnerability in key strategic sectors, which are now viewed as strategically important for competing with China.

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[128] Cancian, "Rebuilding U.S. Inventories: Six Critical Systems."
[129] Grey et al. "Years of miscalculations by U.S., NATO led to dire shell shortage in Ukraine."
[130] Wang, "Taiwan Looks for Ways to Defend Itself as U.S. Weapons Supply Hit by Gaza, Ukraine."

Proposed Solutions to Revive Domestic Commercial Shipbuilding

To revive its commercial shipbuilding sector, the United States has floated several possible approaches in recent years. First, the U.S. has tried to encourage successful Japanese and Korean shipbuilders to invest in U.S. yards so that they could make these domestic firms more profitable and efficient.[131] This approach is embodied in the acquisition of Philly Shipyard by South Korea's Hanwha Ocean in 2024. The problem with this strategy is that it ignores the primary issue facing U.S. shipbuilders–foreign subsidies, access to less expensive inputs, and cheaper labor make constructing vessels in the U.S. entirely uncompetitive from a cost perspective.

Secondly, the U.S. has started piloting a program to repair certain vessels on allied yards in Asia so that the few U.S. yards remaining can save their capacity for new production and more technically challenging repairs.[132] The challenges posed by this plan during a protracted conflict with China are twofold. For one, the yards mainly tasked to do this work, in Japan and South Korea, are within striking distance of China's regional fleet and missiles.[133] Even if South Korea and Japan are willing to offer their yards for repairing U.S. combat vessels during, they are at far more risk than yards in the U.S. Additionally, this plan would do little to build up the Merchant Marine and improve the U.S. sealift. While the U.S. could conceivably purchase merchant ships from Asia and then ensure they are flagged in the U.S., this would leave the U.S. with little ability to repair or construct new transport ships during or after a conflict.

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[131] Bloomberg, "US Navy Collaborates with Allies' Shipyards to Counter China's Maritime Expansion."
[132] Lariosa, "Navy Supply Ship Completes First Large-Scale Maintenance at South Korean Shipyard."
[133] MissileThreat, "Missiles of China."

Lastly, President Trump has proposed charging all Chinese-built vessels a fee each time they stop at a U.S. port in the hopes of reviving demand for U.S. ships.[134] Ignoring the anticipated inflationary effects of such a plan, imposing a fee would do virtually nothing to support U.S. commercial shipbuilding. Shipping firms will either pass along the new costs or simply purchase vessels from other nations like Japan and South Korea, which remain significantly cheaper than U.S. ships.

If the United States is serious about stimulating demand for U.S.-built commercial ships and expanding shipyard capacity, it can draw on a proven playbook, one that has been successfully followed by Japan, South Korea, China, and even the U.S. in the past. The government must heavily support and subsidize shipbuilding to make it economically competitive and scaled enough to compete. The ideal time to invest was clearly during the unipolar moment, when China did so. While the United States pursued a liberal foreign policy around the globe and inadvertently enriched its future peer competitor, China invested in its industrial base and built up its conventional naval forces in the hopes of becoming a "strong maritime state." If the United States hopes to compete effectively in a future increasingly defined by great power security competition, it will have to confront the consequences of its past inaction and aggressively invest in rebuilding its commercial shipbuilding base before the window to do so closes.

[134] Paris, "Trump Administration Revises Port-Fee Plan to Soften Blow to U.S. Exports."

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