Center for Strategic and International Studies

TRANSCRIPT

Event

"Rebuilding America's Maritime Strength with Senator Kelly and Congressman Waltz"

DATE

Wednesday, September 25, 2024 at 9:00 a.m. ET

FEATURING

Senator Mark Kelly (D-AZ)

Chairman, Senate Armed Services Subcommittee on Airland

Representative Mike Waltz (R-FL)

Chairman, House Armed Services Subcommittee on Readiness

Rear Admiral Raymond A. Spicer, USN (Ret.)

Chief Executive Officer and Publisher, U.S. Naval Institute

CSIS EXPERTS

Seth G. Jones

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Transcript By
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Rear Admiral Raymond Spicer (Ret.): Good morning. I'm Ray Spicer, CEO and publisher at the U.S. Naval Institute. On behalf of the Center for Strategic and International Studies and the Naval Institute, we are proud to bring you this event as part of our 2024 Maritime Security Dialog Series. This series is made possible through the generous sponsorship of HII. The topic of today's dialog is, Rebuilding America's Maritime Strength. And our guests are Senator Mark Kelly of Arizona and Congressman Mike Waltz of Florida.

Representing the state of Arizona, Sen. Kelly: served in the U.S. Navy for 25 years as a naval aviator after earning his B.S. degree in marine engineering and nautical science from the U.S. Merchant Marine Academy. He flew combat missions during the Gulf War, before being selected as a NASA space shuttle pilot in 1996. As an astronaut, he spent more than 50 days in space, traveling over 20 million miles. He retired from NASA and the U.S. Navy in 2011, after commanding the Space Shuttle Endeavor on its final flight. Sen. Kelly: currently serves on a number of committees, including the Senate Armed Services Committee, where he is chair of the Airland Subcommittee.

Representing Florida's Sixth District, Congressman Waltz served 27 years in the U.S. Army and National Guard. He served worldwide as a special forces officer and decorated Green Beret with multiple tours in Afghanistan, the Middle East, and Africa. Congressman Waltz worked in the Pentagon as a defense policy director for the secretary of defense and went on to serve in the White House as the vice president's counterterrorism advisor. Congressman Waltz currently serves as the chairman of the House Armed Services Subcommittee on Readiness, and as a member of the Committee on Oversight and Accountability, and the Permanent Select Committee on Intelligence. He also serves on the house China Task Force.

I now turn it over to Dr. Seth Jones, who will engage Senator Kelly and Representative Waltz in a moderated discussion that will include audience Q&A. Dr. Jones is senior vice president Harold Brown chair, director of the International Security Program, and director of the Warfare, Irregular Threats, and Terrorism Program at CSIS. Over to you, Seth.

Seth G. Jones: Thank you very much, Ray. And a very special welcome to Senator Kelly and Congressman Waltz. Let me just say before we begin that both of your bipartisan work on rebuilding the USS maritime sector has been laudatory, particularly as we see Chinese actions and efforts to build their industrial base including their maritime industrial base. So thanks to you both.

I do also want to highlight what Ray Spicer said about the just general

partnership between CSIS and the U.S. Naval Institute and our strong relationship with HII as part of our maritime security dialog.

To both Senator Kelly and Congressman Waltz, we had the Chief of Naval Operations Admiral Franchetti last week on a range of similar issues. We will have the vice shortly to follow up. So this is a really interesting discussion. We're getting perspectives from the Hill, from folks in the Pentagon, and elsewhere.

So let me begin with a bit of a preface and then I'll start with Congressman Waltz. As both of you are very aware, the naval strategist Alfred Thayer Mahan argued in his book "The Influence of Sea Power Upon History" that a key factor in the British Empire's rise to global dominance was a battle fleet – a strong naval force – and I think both of you have said elements along these lines.

A strong naval force can protect a country's merchant marine and maritime commerce, which can strengthen national power. So let me start off this conversation with Congressman Waltz and get your thoughts right now on where we stand right now with the maritime industrial base in the U.S.

What are the challenges you see? What are the opportunities we have to move forward? But if you could just sort of provide a lay of the land to begin us and then I'll turn to Senator Kelly. Thanks.

Representative Mike Waltz (R-FL):

Yeah. Sure, Seth, and, you know, thank you to you and CSIS for really digging into this issue and having a number of people that are trying to get us to a better place in your maritime dialog.

Look, you know, at the end of the day, the United States is a maritime nation and I'm thrilled to work with Senator Kelly on trying to address some of the issues that we have, frankly, allowed to fester over the last several decades, and just a couple of statistics to – you know, to kind of throw at you to frame it here.

You know, in the early '80s we had over 300 shipyards. That was actually a decrease from the end of World War II when we had nearly a thousand. But still, by the early '80s we had over 300. In just the last few years we're down to about 20.

So it has been a marked and serious decline and this is our industrial shipbuilding base. This is everything from tankers to cargo to LNG. We basically don't make ships anymore, and just last year the United States accounted for .2 percent – .2 (percent) – of global shipbuilding.

So who has filled that void as the United States has essentially for a number of reasons that Senator Kelly and others that are very steeped in shipbuilding and our maritime industry are well aware, but regardless of the reasons who's filled the void?

Well, it's essentially China that now produces about 50 percent of global shipping – South Korea and Japan. India has a small but increasing, you know, kind of market share, particularly in the ship repair space but it's really those three.

And it's one thing for the United States to have declined but to have the void filled by our greatest adversary and, I think, the greatest adversary the United States has ever faced is incredibly serious and concerning, and just a couple of other stats and then, you know, I'll turn it back over to you, Seth.

Last year, 2023, China received over 1,500 new orders for new ships. The United States received five. The largest shipyard in China could fit every shipyard in the United States inside it and is producing more ships and then, you know, by – comparably the largest shipyard in South Korea, Hyundai, is producing 40 to 50 ships a year. Again, the United States produced five.

And from a national security perspective, you know, we talk a lot about China's ability to turn off things that they now produce and we no longer do – like pharmaceuticals, or rare earth minerals, or the fact that most of our chips are produced now in Taiwan under threat by China. But they literally could turn off our entire economy by essentially choking off that shipping fleet and, conversely, turn theirs into warships or into levers of geopolitical influence. It's just completely unacceptable. And we have to stop admiring the problem and stop complaining about the problem. And I think, as Senator Kelly and I are trying to do, start chipping away at it and digging us out of this hole.

And then final thing, from a – again, from a national security standpoint, the Chinese Navy is growing and rapidly expanding, not because – just because they are investing in their navy. But they're doing it on the backs of this massive investment and growth and their commercial shipbuilding fleets. So a shipyard that can produce one of the world's largest container ships can then pretty easily flip and produce an aircraft carrier, and do it at scale with the workforce, the steel, the aluminum, and the know-how that has been invested and paid for by their commercial shipbuilding industry.

Dr. Jones: Yeah, thanks. Thanks, Congressman Waltz, for laying that out.

I want to turn to Senator Kelly for his perspective on where the U.S. – where, Senator, you believe the sort of U.S. sits right now. And I do want to note that the bipartisan report that you and Congressman Waltz and Senator Rubio and others put out earlier this year is titled, "The Congressional Guidance for a National Maritime Strategy." And the subtitle that the collective group put together is "Reversing the Decline of America's Maritime Power." I mean, you specifically use the words "decline of America's maritime power." So, Senator Kelly, over to you for your thoughts along these lines.

Senator Mark Kelly (D-AZ): Yes, Seth. Yeah. I mean, I don't think anybody could argue that it has not been a decline. My grandfather served in the U.S. Merchant Marine in the Atlantic during World War II on a Liberty ship. At the end of World War II, we had 10,000 oceangoing merchant vessels in U.S. trade flying the U.S. flag, with U.S. crew members. When I graduated from the U.S. Merchant Marine Academy in 1986, that number was down to 400 U.S.-flagged oceangoing ships. Today, that number has fallen even further. It's down to about 80 ships operating in international commerce flying the U.S. flag.

To put that in perspective. So the congressman, he talked about the shipbuilding and the capacity. We have 80 ships. The Chinese have 5,500, you know, similar. So, you know, Chinese flagged, Chinese crews, in international trade. And if you remember what happened in 2021 and 2022, when we had bottlenecks at our seaports, specifically on the – especially on the West Coast, that was caused by supply chain issues. And it raised the cost of everything for Americans. Most of the goods that come into our country, at least about 80 percent, come on ships. So this is a huge vulnerability. And if China wanted to leverage their dominant role in global shipping to hurt our country, to hurt Americans, they could easily do that.

So let's talk for a second how – you know, how did we get here? So, you know, China has a heavily subsidized shipbuilding industry. They control the largest shipping company in the world. While here in the U.S., as we put in the report, we've seen a decline, especially since the 1980s. Congressman Waltz pointed out that in the 1980s we had 300 shipyards. Now we're down to 20. And that started pretty much during the 1980s. And the lack of a commercial shipbuilding industry in this country, not only does it affect – or, could affect our supply chains if the Chinese or another country decided to cut us off, but it also affects our ability to build Navy ships.

And that's what Mike was getting at here, because a shipyard can easily flex to building Navy ships but you also need the supply chain of the parts that go into building a ship. And that's what we're lacking now. We

see this when we're trying to build Virginia-class submarines as an example or any, you know, Navy ship today. It's more difficult because we don't have this robust commercial supply chain in the shipbuilding industry.

Dr. Jones: Thanks. Thanks, Senator Kelly and Congressman Waltz, for laying this out.

Let me – let me turn to Congressman Waltz for a moment just to sort of help us think through the implications for both deterrence and warfighting of the – what both of you call a decline of America's maritime power. So, Mike, to start off with you, I mean, what does this mean? The U.S. is trying to deter Chinese activity in the Taiwan Straits. The Chinese have expressed an interest, significant interest, in reuniting Taiwan with China by force if they have to. There have been tensions in the South China Sea, including with Philippines; the East China Sea. We certainly saw during the Kevin McCarthy meetings with President Tsai as well as the Nancy Pelosi visit the Chinese essentially starting to show what some combination of invasion or a blockade would look like around Taiwan.

So when it comes to the U.S. ability to deter, or if deterrence fails to fight, what does this challenge mean for that? I mean, how much does this impact our ability to deter or fight? And we'll go to Senator Kelly after. I'm just trying to really get a sense of the big – kind of big implications here.

Rep. Waltz: Well, I think, you know, often the focus and the spotlight is on kind of the battle fleet, so to speak – you know, the Aegis destroyers, the number of carriers, our ability to have enough planes to get on the carriers that we need, and of course our submarine – our subsurface fleet. And rightly so, because that would be the force that, hopefully, Xi wakes up in the morning, opens the curtains, and says, not today. And there's been a lot, I think, rightly focused on the fact that the Chinese navy is now larger than the U.S. Navy. They have the luxury of concentrating theirs in the Western Pacific; ours is spread all over the world.

But there's a deeper issue and a deeper concern here, and that's the logistics, the time, the distance, and the sustainability should deterrence fail and then we need to fight not only to – if we would have to defend Taiwan, but also our treaty allies in Japan and the Philippines, and then if you layer on top of that it could kick off a Korean Peninsula crisis. And why does this matter to everyday Americans, to mine and Senator Kelly's constituents? Well, 50 percent of global GDP is sitting in that area. And if Chinese – if China manages to control or coerce that

GDP, that's a huge step towards Xi's stated goal of replacing the United States as a – as a global leader.

So to get to the point of why the maritime industry matters so much, how do we get our land forces over there? You get them over there on the backs of our commercial maritime fleet. How do you sustain a Navy in terms of the oilers, the fuel, the ammunition, you know, that kind of cycle from the West Coast or even from Guam or our allies like in Australia? Right now we are pushing those supplies forward west of the International Date Line. But that requires a merchant – a maritime fleet that we know we can depend on in a time of conflict. And as the senator said, when we've gone from 10,000 to 400 to 80 U.S.-flagged, U.S.-crewed ships, that is a massive strategic vulnerability.

And case in point, just this week, when you see the only oiler in the Arabian Gulf run aground, that's – you know, I think there's a misconception. The only ships out there that are nuclear-powered are carriers and are submarines; the rest need to be refueled, and those aircraft need to be refueled. And it is – it's not operationally sustainable for half – for our fleets to have to go to port every time they need to be refueled, or rely on a commercial vessel that may or may not be there in a time of conflict and, oh, by the way, you have to stop to gas up. There's only certain ones that can do it – that are trained and have the capability to do it while underway.

We're seeing that real time right now be a critical vulnerability in the Arabian Gulf. And we're also seeing it in the Red Sea when you have kind of a ragtag bunch of terrorists armed with aerial drones, subsurface and surface drones, that can literally cut off global shipping and put our – put our Navy under real threat. So this is a kind of a – this needs a whole of government, whole of maritime industry. I just don't know how we can ring the alarm bells more loudly. And I really look forward to digging in and getting some policies and some incentives in place to get us out of this decline.

Sen. Kelly: Seth, let me also just say a couple things, you know, on this topic. In 1991, when I was in the – fought in the First Gulf War, we had around 400 ships or so. We had to move a good chunk of the U.S. military's combat capability to the Persian Gulf, to the Middle East. That was not contested. We had the ships. We also had the luxury of not having to worry about the Iraqi Navy taking out anything we had. That's not true on the other side of the Pacific Ocean.

If we wind up in a situation where we have to fight, inside the second island chain especially, it is going to be heavily contested. China has a substantial and capable submarine force, surface ships. They have

surface-to-surface missile systems. They've got a very deep magazine with a lot of rounds that they could fire. They got a lot of antiship missiles. What do you think they're going to go after? You know, they're – our ships, as we move our forces over into the – into the region are going to be under serious threat. And we are likely to lose some ships.

Problem is, we don't have – we don't have anybody on the bench, you know, ready to go. We don't have 10,000, you know, merchant ships, like we had, you know, during World War II. So that's the challenge we're facing here. Right now, the military Sealift Command can move what we need for the beginning of a fight. What the congressman and I worry about is what does day 30, what does day 180 going to look like in any conflict with a peer adversary? We've got to have a fleet in reserve. And we don't have that now.

Dr. Jones: Yeah, just to add to that, Senator Kelly, you know, one of the things that the war in Ukraine, I think, has highlighted is that our war plans in the Department of Defense, the OPLANs, have often been relatively short in duration. But as we're seeing in Ukraine, we're in year three likely headed to year four, is a protracted conflict can put serious strains on logistics, munitions, and a range of other things. And what you're highlighting, I think, to me, is thinking about, planning for something that goes beyond just day 30 of a – of a conflict.

If I can – if I can turn to Senator Kelly just to talk a little bit about, you and Congressman Waltz and others have been thinking about a Ships for America Act. So how do we – how do we think about steps to take at a national coordination or oversight level? How do we think about increasing the number of U.S.-flagged oceangoing vessels? How do we think about supporting shipbuilding and repair in the United States? How are you thinking about that, Senator Kelly, right now, in terms also sort of pushing legislation?

Sen. Kelly: Well, what we need to do is create an incentives program for shipbuilders. So this is going to be, you know, incentives for, well, not only shipbuilders, but people that own ships to move cargo onto U.S.-flagged vessels. Right now we allow a lot of U.S. cargo to move across the oceans to the United States on foreign-flagged vessels. We need to change that. We also have to take a good look at our tax laws to see if there are opportunities to create more tax credits and deductions to offset the costs of owning and operating a U.S.-flagged vessel.

You know, U.S.-flagged ships are subject to two different regulatory regimes. One is under the International Maritime Organization and the other is under the U.S. Coast Guard, obviously. So we're going to propose finding ways to better align those two requirements so we can

reduce duplication while at the same time making sure that this is all done very safely.

We're also going to propose rethinking the existing maritime security programs that we have like – well, like the programs that will – you know, that can encourage competition and innovation with U.S.-flagged vessels.

So if we – you know, if we can do all that while also at the same time enhancing our industrial base and building it back up we'll be able to, you know, increase the number of qualified mariners. We'll have more ships. They'll be operating under international commerce and we can, you know, rebuild an industry that is going to help grow our economy as well. So this is a, you know, one of these win-win situations for the American people.

Dr. Jones: Yeah. Congressman Waltz, your thoughts on priorities here for kind of Ships for America?

Rep. Waltz: Sure. Well, you know, first we need – I think we need an all of government and interagency strategy and that's – you know, the senator and I released kind of guidance, a not so gentle nudge – (laughs) – what we would like to see in that strategy which has been mandated by Congress and we're looking forward to seeing, you know, what the executive branch comes back with.

You know, as the senator alluded to, the legislation will direct and push the executive branch to have a maritime coordinator. This isn't a DOD problem. It's a Department of Transportation, Department of Commerce, Treasury.

You know, I think we really need someone that's looking across all of it and can pull the interagency together. Again, the premise here from a national security standpoint is that the strength of the Navy will be underscored by the strength of our maritime industrial base.

You know, one of the things that we didn't talk about – I mean, the senator is absolutely right. We have since World War II not faced contested maritime logistics and resupply but we also have not had to in real time repair our battleships and get them back into the fight.

So the issue of dry docks and ship repair and the distances that we're facing, you know, would also need to be addressed.

But going back to the legislation, maritime coordinator, a maritime board that can pull a lot of these issues together, the strategy that I

mentioned. Where what I, you know, really think we'll be able to get a lot of our colleagues on board with is we're not talking some type of massive plug of additional money. With the interest in our debt now eclipsing our entire defense budget I don't think that would be fiscally realistic.

But we're looking at redirecting some of our – some of the tariffs that are being talked about, our Section 301, taxes and fees on cargos, to pay for a lot of this, and as the senator mentioned also the cargo preferences and relooking those pieces.

I also think and, you know, I don't know if this would be supported in a future Harris administration but it may be in a Trump administration if the voters decide to go that direction, and relooking, you know, some of the 1.2 trillion (dollars) that we passed in a bipartisan infrastructure deal.

Hardly any of that went to our shipbuilding industry and that is – obviously, our ports and our shipbuilding is a critical part of our infrastructure. So – and I don't mean to kind of introduce politics in it – I just don't know which direction either administration would go – but I would certainly support a relook of some of those – of some of those dollars. You know, roads and potholes and bridges are incredibly important but so are our ports and our shipbuilding.

And then, finally, I think we need to introduce, and the legislation will push in this direction, more innovation in the maritime industry. We're seeing a lot of that from Silicon Valley, from the Pentagon, and others when it comes to drones and when it comes to unmanned. But getting a number of those innovations into our maritime industry I think is incredibly important, and will – the legislation will push maritime innovation and incentivize it appropriately.

Dr. Jones: Thanks, Congressman Waltz.

Let me – let me go to the first question. We've got a few questions from the audience online. Let me – let me go to Senator Kelly for the first question. It's from Captain Lisa Dixon from the U.S. Merchant Marine. And this gets to, I know, Senator Kelly, some of the issues that you have been thinking about, including in a bipartisan fashion, with the maritime workforce. Current numbers indicate the U.S. does not have enough U.S. merchant mariners to meet the necessary commercial operations and sustain sealift.

Kind of in that context, Captain Dixon asks two questions. First, where are we going to hire/train the skilled labor to build and maintain and

operate more vessels? And are there plans to support U.S. merchant shipbuilding and labor? So part of this really gets to the workforce challenge and solutions, from your perspective.

Sen. Kelly: Yeah. I'll tell you, every, you know, time I, you know, meet with folks that work at shipyards or run them, one in particular – there's a woman named Jennifer Boykin who is the president of the Newport News shipyard. She's a classmate of mine at the U.S. Merchant Marine Academy. We graduated in 1986. And she talks about her workforce challenges, how hard it is to find welders. They have a good program where they train their shipbuilders. We need to do more of that. We need to rebuild this workforce. And it's not just the shipyard workers; it's the mariners as well.

So the state schools, the state maritime academies play an important role. Where – I am a graduate of the U.S. Merchant Marine Academy; plays a very important role. They provide – that school alone provides, you know, most of the merchant mariners that can be called upon to serve under their license in time of need.

Our legislation includes a few ideas. We've got marketing campaigns to help high school graduates realize that working at sea or in a shipyard can be a really – like, a good-paying jobs. And in some cases – a lot of cases, you know, both at sea and at a shipyard, these jobs don't require a four-year degree, necessarily.

I'd say one of the biggest challenges we have in the industry right now is retention. So we need to look at opportunities to create incentives for mariners to stay in the industry, keep their licenses current. We can do that through tax incentives or possibly some public – you know, some kind of loan forgiveness programs.

And then we need to invest in the schools we mentioned – the U.S. Merchant Marine Academy, the state maritime academy – academies; there's multiple ones. Massachusetts, Maine, California, Texas all have maritime academies. State of New York, my brother went to SUNY Maritime. So these schools are all very important in providing that workforce. And if we invest in these schools and do a good job recruiting people to them, we can have a bigger workforce at sea.

Dr. Jones: Congressman Waltz, your thoughts on workforce issues? You know, having been to several shipyards recently, there are also a range of challenges with housing, for example, payment. So your thoughts, as you've thought through this, on how to – how to strengthen the maritime workforce and what steps Congress can take.

Rep. Waltz: Well, I think there are steps that Congress can take that the senator just pointed to, and I think this is a broader societal issue in that we need to make turning wrenches cool again at the Thanksgiving table. You don't have to go, you know, off to get – to some prestigious school, load yourself up with a quarter-million in debt to be – (laughs) – you know, kind of accepted as advancing kind of the next generation of your family. And I think so many of the Greatest Generation, who didn't have the opportunities to go to college – you know, the American Dream was sending your kids and grandkids off to college, but I'm fine with sending them off to a trade school and making six figures by the time you're 20 years old and having zero debt.

I was just talking to a young man, a relative of mine, about just that, about going to a maritime academy in south Florida. He could either be on a – he can either be out on a very nice commercial yacht in the – in the Caribbean – or, private yacht in the Caribbean, I should say, or out on a commercial ship. But either way, by the time he's fully licensed, within three years he'll be making $150(,000) to $180,000 and, again, and zero debt, and way ahead of his peers that will be graduating two years later.

So I think part of that is a – is a broader conversation we need to have as a society. I'm very concerned in the near term, again, back to the national security impacts, on, you know, the recent kind of sidelining, or plans to sideline from the military Sealift Command, 17 ships because they don't have enough mariners. And I think there are things Congress could do in the very near term, literally in the next year, to get both the pay in line with what's going on in the commercial sector, but also their dwell time in line with the commercial sector. We have to have those USNS ships that are manned by men and women that are mariners, not necessarily sailors, to support our fleet. We just absolutely have to have it. It's a critical vulnerability.

And that, I think, Congress can invest in, in the near term, while we tackle these longer-term issues of getting back to apprenticeships, welders, builders, wrench turners, and recruiting in our high schools and middle schools, and making those availabilities known early on, that you don't have to either go work in a Starbucks or go get a four-year – a four-year degree. There's this amazing kind of middle ground in our blue-collar workforce that can provide an amazing living, you know, for everyday Americans.

Dr. Jones: Yeah. These are the electricians, the welders, the pipefitters, all the individuals that are critical in building our destroyers, our submarines, and other – and then the commercial shipbuilding.

Rep. Waltz: And part of that, Seth, if I could just add in, is we just had such – and the senator hit on this. We just had such a loss of know-how. So when you go visit Hanwha, who's buying into the Philly shipyard, you go visit Hyundai, you go over to – over to Japan, if you look at the – just the leaps. I mean, it's like – it's looking at a 21st-century shipbuilding and ship repair exercise. You go to some of ours, it looks like it hasn't changed since the 1930s. So I think it's also, you know, really working with our allies who have invested over the years and bringing that IP and that know-how back into the United States. And I think we can do that with some of the incubator programs that we also propose in the legislation.

Dr. Jones: Yeah, thanks. Thanks, Congressman Waltz. That's a good point. And actually, one that I'm going to turn to Senator Kelly for. It's a question that comes from Colin Grabow from the Cato Institute.

And his question, Senator Kelly, that I'll direct to you, is on the Jones Act and, more broadly, on probably allied shipbuilding – South Koreans, Japanese – something that I think both of you have mentioned over the course of this discussion. Some of our allies have significant shipbuilding capabilities. So he asks: Do you favor repealing the Jones Act, so that Americans can obtain ships from allied shipyards at lower prices and encourage U.S. commercial fleet expansion and modernization? So that's his question. Let me just add to that, your thoughts – with some allies that have shipbuilding capability, your thoughts on what are options for leveraging some of the capabilities that some of our allies in the Pacific have on the shipbuilding front? So you can tackle first the Jones Act question, and then more broadly what role do allies and partners play in this?

Sen. Kelly: Yeah. Yeah, we don't – we do not need, and are not suggesting, we repeal the Jones Act. But what we do need to do is look for opportunities to collaborate with our allies and our partners across the globe. You know, some of the best shipbuilders in the world are in Japan and South Korea. And the congressman also mentioned, you know, India as being a very capable shipbuilder. So we can collaborate with them. The current secretary of the Navy, Carlos Del Toro, has done a lot of work to encourage shipbuilders from those countries to invest in the United States, which could help our shipyards.

Our hope, through our legislation, is that we can make the business case for investing in the United States easier through things like tax credits, loan guarantees, and other incentives and partnerships. And that could get our allies, you know, making investments here. We need the capability here. And if we're successful, this is going to create a lot of great paying jobs for Americans, and also revitalize our shipbuilding

industry and communities, also – shipbuilding communities across the country.

Dr. Jones: Thanks, Senator Kelly, Congressman Waltz, your thoughts on what role allies and partners could play in strengthening the U.S. industrial base, if any.

Rep. Waltz: Well, just to add to what the Senator said, I mean, for example, you know, we have a critical deficit, vulnerability now in the Arctic. As the sea ice retreats, it's not only exposing, you know, huge opportunities in terms of oil and gas exploration, but it's also opening up, you know, the northwest passage, and opening up sea lanes certain times of year. And, you know, we're looking at a very real possibility in the next decade where shipping leaves Northern Europe and, rather than transiting to the Suez Canal or the Panama Canal, transits across northern Russia, same across the northern side of Canada, to get to Asia.

That creates all kinds of geopolitical complexities in terms of Suez Canal and Panama Canal, but also potentially vulnerabilities, as Russia has over 60 icebreakers, the United States is sitting at two. It also opens other issues, for example, China pushing a 3(00)- to 400-ship fishing fleet up into those untouched territories. And then also, we have critical radars and sensors up there that we never really had to secure, that we may now have to secure. Well, how do we do that, with a very moribund, you know, and, frankly, just – it's just been devastated, our shipbuilding industry over the years.

Well, the Trump administration, and I think now that the Biden administration is moving in this direction, looked at leasing icebreakers from Finland and from Sweden. I just spoke to the ambassador from Canada. They have some joint ventures that are going on to expand their fleet of icebreakers up in the Arctic. So we can – you know, while the Coast Guard invests in their – renewing their heavy icebreakers, which they're doing. I believe there's three with a plan to go to six. In the meantime, we can lease or borrow those existing capabilities to plug those gaps, from our Nordic allies who have that kind of very niche but important capability. I mean, that's just an example of kind of thinking out of the box and thinking, how do we plug these holes in the short term while we look to revitalize the industry in the long term?

Sen. Kelly: I was over in the Baltics and in Finland a few weeks ago and met with the Finnish president. We talked specifically about this. We do actually have a plan to work with Finland and Canada – you know, two countries that have a lot of expertise here – to help us with our icebreaker building capacity. So we've got a plan that's specifically tailored to that mission.

Dr. Jones: Yeah, we do. I was over in Finland a couple of months ago, saw some of the same kinds of developments from the Finns. And welcomed to NATO Finland as well. I want to stick with you, Senator Kelly. There's a – there's a – we're just about out of time, but one last question from the audience, from John Grady at the U.S. Naval Institute News. Which is, should the Philadelphia shipyard arrangement for the maritime academies be a model in rebuilding shipbuilding in the U.S.? Sort of building ships for multiple use off the same hull design. Your thoughts on that?

Sen. Kelly: Yeah. I think it's been, you know, very effective. A very good friend of mine is the head of Texas A&M Galveston, and he's excited about their ship that they're getting. It seems like they've done a fantastic job, high quality. Those training ships are incredibly important.

Let me just – I know we're going to be out of time here, you know, pretty quickly, so, Seth, I just wanted, you know – just, you know, outline again what our Ships for America Act is going to do. It's going to come down to, you know, three separate principles here: We need to make it more cost effective to operate U.S.-flagged vessels with some cargo preference. We need regulatory reform and some financial support to the industry like tax credits. And then building up our shipbuilding capacity to make sure that we're going to be able to have more U.S.-flagged ships here at home. And then the workforce issue, we've got to solve that.

And this legislation addresses all three of those areas, extensively by the way. I mean, this is a comprehensive piece of legislation. It's over 200 pages now. It's going to be introduced, you know, fairly soon, probably as soon as we get back here after the election. It's bipartisan, bicameral. We went out – the congressman and I went out to industry – shipbuilders, shipping companies, labor – and got a lot of comments back. We incorporated those. And I think we're going to see very broad support from industry on our legislation.

Dr. Jones: Thanks for the overview, Senator Kelly.

Congressman Waltz, you get the last word. Any plugs you want to make for the Ships for America Act? And if I can ask you one final sort of questions, is to come back to this issue, like, what's at stake here? If we move too slowly on shipbuilding/workforce issues, what's at stake in this bigger context, particularly with the Chinese? So if you could end on both of those notes, we'll then wrap it up.

Rep. Waltz: Well, look, it's one thing that, you know, the industry is really decimated over time here in the United States, but it's not as though it shifted to a friend of the United States like Great Britain or New Zealand or Australia. (Laughs.) It shifted to our greatest adversary, in large part, that is openly talking about using things that everyday Americans must have to make our economy go, our very way of life and quality of life, as coercive tools if we don't see the world the way the Chinese Communist Party wants us to. So, I mean, that – you know, I just – we keep ringing the alarm bell that we're looking at military deterrence; they are looking at whole-of-government, whole-of-society deterrence, literally making the shelves in our stores go bare if we don't agree with seeing the world they want to. And, obviously, with 80 percent of our economy being maritime-based, we have to regain control of it.

What the senator laid out were the long-term components. We also talked about some short-term components with our allies. But the time is yesterday to get started on this. You know, enough is enough with us kind of describing the problem in the – in the political, congressional, and national security space. The senator and I – and I'm happy to work with him on it – are gathering up our colleagues to roll up our sleeves and get to work.

Dr. Jones: Well, thanks to both of you. Thanks to both of you for helping put out the Congressional Guidance for a National Maritime Strategy. Thanks to both of you for putting out the – or, shortly putting out the bipartisan Ships for America Act. Thanks for all you're doing. I sort of feel like many of us are a little bit like Winston Churchill in the wilderness years in the '30s as the Germans are rearming, and it's taking us a long time not just to talk about the issue but to actually start to move the dial. So really appreciate what both of you are doing.

So on behalf of the U.S. Naval Institute and Admiral Spicer, as well as HII, really appreciate both of you joining us today. And good luck as you start to implement Ships for America. Appreciate it.

Sen. Kelly: Thank you.

Rep. Waltz: Thanks, Seth.

(END.)