THE US-CHINA BUSINESS COUNCIL
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USCBC Comment on Proposed Action Pursuant to the Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance

Office of the US Trade Representative

Docket No. USTR-2025-0002

The US-China Business Council (USCBC) welcomes the opportunity to submit comments to the Office of the US Trade Representative's (USTR) Notice of Proposed Action Pursuant to the Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance, as described in Docket No. USTR-2025-0002. We appreciate USTR's efforts to address concerns about China's dominance in the shipbuilding sector and its implications for US economic and national security interests.

USCBC represents over 270 American companies engaged in business activities in China, spanning a wide range of industries, including manufacturing, financial services, technology, retail, energy, and agriculture. Our members are deeply interested in ensuring fair market conditions, promoting the competitiveness of American firms and farmers, and strengthening supply chain resiliency.

We further support USTR's objective of strengthening American shipbuilding capacity; however, USCBC recommends that USTR refrain from implementing port fees because of the resulting substantial increase to shipping costs, causing harm to US consumers and businesses in critical sectors including energy, manufacturing, mining, pharmaceuticals, consumer products, and agriculture. The fees will also disrupt supply chains by diverting ships to larger ports, Canada and Mexico, and other neighboring countries, taking away business from US ports and delaying deliveries to US businesses which would hurt their operations and sales – all of which support American jobs.

USCBC also recommends USTR refrain from mandatory quotas requiring companies to export from the US using US-built ships. Such a requirement would be unachievable due to insufficient domestic shipyard capacity and the limited availability of specialized vessels required by key industries such as chemicals and energy.

USCBC also requests clarity regarding critical definitions—particularly the term "operator" and Hong Kong's status under these proposed actions—as well as whether vessels would incur multiple port fees for each US port call.

If USTR does decide to implement its proposed actions, USCBC recommends that USTR narrowly tailor port fees, allow for industry-wide exemptions, phase its implementation timelines, and build strategic international shipbuilding partnerships with US allies.

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I. Port Fee Concerns

Port fees will significantly increase the cost of shipping for US businesses and consumers

USTR's proposed port fees, which are intended to target Chinese dominance in maritime sectors, will inadvertently impose substantial economic burdens on US consumers and on US businesses in critical American industries, significantly raise shipping costs, and undermine US competitiveness globally. Industry analysis indicates that these fees, reaching up to $1.5 million per vessel entrance or $1,000 per ton of capacity (up to $1 million) for Chinese-built or operated vessels, would more than double shipping costs for many US businesses.

The unintended consequences of these increased costs would ripple across the US economy. Rather than address Chinese market practices, the proposed port fees and requirements would disrupt US supply chains, divert shipments and hence business from ports in the US to Canada, Mexico, and other nearby countries, compromise product quality through slower transportation of goods, and cause US job losses. USCBC recommends not imposing the proposed port fees. Below are detailed examples illustrating why imposing these port fees would harm key US industries and their global competitiveness as well as American consumers.

Impacts on the energy industry

The US energy industry would experience severe disruptions under USTR's proposed port fees and shipping requirements. Energy companies face particular vulnerability given that approximately 47% of the existing dry bulk fleet has been constructed in China. Energy companies that export from US ports would pay fees amounting to millions of dollars per vessel entrance, dramatically increasing freight rates—potentially doubling or even tripling costs. This would render American energy exports uncompetitive on global markets. Given that the US exports over 130 million tons of carbon/solid fuel annually, such increased costs could cripple the industry, resulting in significant American job losses at US refineries and ports, while pushing production overseas.

Additionally, energy companies produce products such as calcined petroleum coke, which is an essential input critical to domestic aluminum production—an industry identified as vital to US national interests. Higher freight rates on imported raw materials would jeopardize the profitability of calcined coke operations, potentially forcing plant closures in Texas and Louisiana, costing American jobs and depriving critical domestic industries like aluminum of necessary raw materials.

Furthermore, the proposed port fees pose a particular challenge to US liquefied natural gas (LNG) companies. Approximately 40% of the current global LNG fleet is Chinese-built, and notably, China accounts for 33% of all future LNG ship orders. Imposing substantive port fees on Chinese-built LNG vessels would severely constrain US LNG exports, undermine US energy competitiveness, and jeopardize America's potential to be a leading global LNG supplier. Rather than penalizing China, these policies risk significantly harming American energy companies, workers, and national energy security goals.

Impacts on industrial manufacturing industry

Imposing the proposed port fees would impact industrial manufacturers of essential infrastructure, by substantially increasing both direct and indirect costs. This would be a result of the port fees causing carriers to significantly raise container rates, with some estimates of increases of $444 per container from China to the US West Coast, $546 per container from China to the US East Coast, and as much as $1,000 per container from the EU to the US. Such direct cost increases would reduce US manufacturers' competitiveness in international markets, while also risking retaliatory actions from China that would further harm US businesses.

Additionally, smaller ports such as Baltimore, Wilmington, Oakland, and Philadelphia would likely lose vessel calls due to these fees, concentrating traffic at already crowded major US ports, thus causing severe congestion, shipping delays, higher drayage fees, and increased inland transportation costs. The resulting longer lead times, greater customs scrutiny, and heightened compliance complexities would cause indirect cost increases to ship globally and force companies to maintain larger inventories at higher carrying costs. This would ultimately lead to reduced US-based manufacturing, lost sales, diminished market share, and job losses.

Impacts on US mining industry

The proposed port fees would significantly harm the competitiveness of the US mining industry by substantially increasing the costs associated with critical imports and exports. For example, mining companies heavily rely on imported materials to support domestic mining operations and processing plants that produce refined metals and chemicals, both for domestic consumption and export. These exports are essential to supporting international operations in other regions. Operating margins in this capital-intensive sector are extremely narrow and any increase in port fees would need to be absorbed by the companies, further reducing operating margins.

The proposed port fees would exacerbate these financial pressures, raising costs for some companies by an estimated $1 million per chartered vessel shipping coal, mineral concentrates and other bulk materials. These increased costs would result in a sharp disruption to the US mining sector's ability to maintain its global competitiveness.

Impacts on the pharmaceutical industry

The pharmaceutical sector would also face significant disruptions from USTR's proposed port fees and shipping restrictions. While carriers represent only a portion of the pharmaceutical logistical supply chain, they are nonetheless essential, especially given the industry's heavy reliance on precise shipping schedules. Pharmaceutical companies depend on third-party carriers and typically have limited visibility into the country of manufacture of vessels—focusing primarily on shipping schedules and vessel flags.

Consequently, the proposed fees and requirements would lead to increased shipping costs due to additional layers of compliance. This is especially salient now given an industry wide push to reduce supply chain expenses (and thus costs to patients) which often includes a shift to ocean freight from more expensive air freight. Increased expenses are likely to be passed on to patients thus frustrating an already complex situation.

Furthermore, strict implementation of these regulations—such as mandates to avoid Chinese-built ships—could result in slower transportation of medicines. Given the industry's critical need for temperature-controlled storage, prolonged delays at ports while awaiting compliant ships (or verification that ship is compliant) pose a severe risk, potentially compromising medication quality and directly affecting patient safety by contributing to drug shortages.

Impacts on consumer products industry

The consumer products sector would be significantly impacted by the proposed port fees, with costs for the industry rising between $200 and $1,100 per container, depending on vessel size and the number of US port calls. Companies importing diverse consumer goods—such as textiles, toys, kitchenware, and finished products/materials—would also face heightened compliance costs, given the broad range of products involved and increased fees. Additionally, consumer product importers also lack transparency regarding vessel origins, as logistical decisions are typically managed by third-party carriers.

Consequently, imposing these fees represents a non-transparent, indirect tax that would increase costs for both imports and exports and lead to price hikes for consumers. Such measures may also conflict with WTO subsidy rules and would negatively impact US businesses' global competitiveness.

Impacts on the agriculture industry

The proposed port fees would impose significant harm on US agriculture, compounding the economic pressure farmers already face due to retaliatory tariffs. Agricultural exporters would incur up to $930 million annually in transportation costs as a direct result of these fees. For bulk exporters of agricultural commodities such as corn, soybeans, and wheat—where global competitiveness often hinges slim margins per bushel—these costs represent substantial marginal losses and could severely limit their ability to compete globally.

Over one-third of the global commercial fleet was built in China in 2022, with projections rising beyond 55%, US agricultural exporters would face drastically reduced shipping options and higher costs. These increased expenses would inevitably pass back to American farmers, diminish farm profitability, and shift competitive advantages to agricultural producers outside of the United States. Ultimately, the proposed port fees would reduce agricultural export competitiveness, depreciate the already slim margins of farmers, and inadvertently encourage the expansion of global agricultural competitors.

Additional costs will cause supply chain delays and divert business from ports in the US to Canada and Mexico

The proposed fees would also trigger supply chain delays. Anticipating million-dollar fees, carriers will cut US port calls. This would lead to more ships diverting to Mexico or Canada or nearby countries, and then using trucks, trains, and feeder vessels into the United States, which will take away business from US ports and add time and additional expenses for US businesses. This adjustment in trade flows would reduce trade volume and ultimately jobs at US ports, as well as regional warehousing facilities that have now become obsolete. This will disproportionately affect smaller regional ports because US port calls would also likely be concentrated in larger ports, thereby increasing costs and supply chain delays for US businesses and consumers.

II. US-Built Ship Export Quota Concerns

US-built exporting mandates are unachievable

USTR's proposed mandate to export up to 15% of US goods exclusively on US-flagged and US-built vessels within seven years presents severe practical and economic challenges due to lack of shipyards and lack of required and specialty vessels. Given these barriers, USCBC recommends that USTR does not implement a quota to export goods on US-built ships.

Lack of shipyards

Currently, American shipyards construct only a limited number of commercial vessels annually, and their existing backlog and restricted production capacity would make achieving the proposed timeline unrealistic. Furthermore, due to high labor and material costs—including the impact of tariffs like the 25% duty on imported steel—US-built ships are approximately five times more expensive to construct than foreign-built vessels. As highlighted by industry experts, these substantially higher costs would effectively impose a significant "export tax," reducing the competitiveness of American exporters.

Lack of specialty vessels

The chemical industry would face substantial challenges from requirements to export on US-built ships due to the limited availability of highly specialized chemical tankers required for transporting high-value chemical exports and critical production inputs. Chemical tankers are specialized vessels equipped with segregated stainless-steel tanks, advanced cargo heating systems, variable-speed pumps, and sophisticated tank cleaning technologies—features essential for safely carrying multiple chemical grades simultaneously. The complexity, specialized construction materials, and high costs involved mean relatively few shipyards can produce these vessels, resulting in a limited global fleet dominated by a small number of operators.

USTR's proposed actions would not incentivize shipowners to rapidly replace these specialized ships with US-built ships—given their complexity and long construction timelines—but would instead increase transportation costs passed directly to American chemical companies. This added cost burden would negatively impact the competitiveness of US chemical exports and drive inflationary pressures domestically, undermining US manufacturing without meaningfully affecting China's shipbuilding practices.

III. Clarification Requests

Clarify the definition of "operator"

Another significant concern with USTR's proposed actions is the lack of clarity surrounding the definition of the term "operator." USTR repeatedly uses the term without clearly defining it, creating ambiguity. Depending on interpretation, an "operator" could refer to the vessel's owner, disponent owner, charterer, or even a ship management company. This ambiguity has already led to confusion among shipping entities regarding which party would be liable for payment of port entry fees, complicating compliance efforts and creating uncertainty around contractual responsibilities. USCBC recommends that USTR explicitly clarify the definition of the term "operator." This would provide precise guidance to avoid disruptions and compliance confusion.

Clarify Hong Kong's status

Another critical area of concern is the uncertainty regarding Hong Kong's status in relation to China for the purpose of these proposed actions. Over recent years, US trade policy has increasingly treated Hong Kong as indistinguishable from mainland China, notably through Executive Order 13936, which suspended Hong Kong's preferential treatment and mandated labeling goods originating there as products of China. Despite this, US Customs & Border Protection has maintained a separate position, stating that goods genuinely produced in Hong Kong are exempt from Section 301 tariffs applicable to China. This inconsistency generates significant compliance uncertainty for vessel owners, operators, and companies trading through Hong Kong, complicating their ability to accurately assess and manage exposure to proposed port fees. USCBC recommends that USTR provide a clear and explicit definition regarding Hong Kong's status in relation to China under the proposed actions, ensuring companies have sufficient clarity to support compliance and minimize disruption.

Clarify whether port fees would be charged multiple times

It is also unclear whether ships could face multiple and duplicative port fees during a single route. Specifically, it is unclear if vessels that are Chinese-built, operated by Chinese companies, or have pending orders for a Chinese ship within their fleet could incur all three port fees at each US port call. Similarly, it is unclear if ships operating along a scheduled route would repeatedly face charges at multiple ports within the same itinerary.

Additionally, the proposal does not clarify the status of US-flagged or non-Chinese-owned vessels constructed in China, potentially unintentionally penalizing US operators or allies and raising concerns related to existing Friendship, Commerce, and Navigation treaties that guarantee national treatment. The proposal also lacks clarity regarding ships built elsewhere but financed through Chinese leasing entities with no further Chinese affiliation.

USCBC recommends that USTR clearly specify whether vessels could incur repeated port fees per voyage, and establish explicit guidance for US-flagged and non-Chinese owned vessels already delivered from Chinese shipyards, allowing companies sufficient opportunity to adapt their operations.

IV. Additional Recommendations

Proposed port fee restructuring

USCBC recommends that USTR not implement the proposed port fees due to their broad and negative impact on US commerce and competitiveness, as illustrated by the significant economic burdens these fees would place on critical American industries, including energy, industrial manufacturing, mining, pharmaceuticals, consumer products, and agriculture.

If fees must be considered, USCBC urges that they be narrowly tailored, significantly reduced to the same level as the Harbor Maintenance Fee (0.125%), and accompanied by a mandatory sunset clause and regular reviews to assess their effectiveness at addressing China's dominance of the maritime, logistics, and shipbuilding sectors and consequences for the US economy, US businesses and their competitiveness, and American jobs. Additionally, USCBC recommends establishing a clear mechanism for reducing or removing the fees if evidence demonstrates ongoing US economic harm, thereby ensuring USTR's measures do not unintentionally damage US businesses, farmers, workers, and consumers.

Proposed industry exemptions

USCBC recommends that USTR create exemptions from the proposed port fees to ensure critical cargo, including but not limited to agricultural, mining, pharmaceutical, industrial manufacturing, consumer products, autos, and energy-related goods, can be imported and exported efficiently, preserving US competitiveness and global market share. USTR should solicit US businesses' input on what should constitute critical cargo eligible for exemption.

If broad exemptions are not able to be granted, USCBC recommends establishing a transparent appeal or exclusions process, enabling US businesses to seek fee exemptions or reductions by demonstrating factors such as substantial economic harm, limited or costly shipping alternatives, or cargo essential to US national interests.

Proposed phased-in timeline

Additionally, if fees are imposed, USCBC recommends a gradual phase-in timeline, providing companies and shipping operators adequate time to adjust their logistical operations and fleet strategies without severe disruption to supply chains or domestic industries. Ships typically take 3-5 years to build and orders are placed years in advance. Estimates suggest that it would take up to decades to adequately build up domestic ship manufacturing, USCBC recommends gradually implementing regulations until there is a US shipbuilding industry that can competitively build and supply vessels.

Proposed multilateral partnerships

USCBC recommends fostering strategic US partnerships with allied countries possessing established shipbuilding expertise. The Departments of Commerce and State could facilitate such collaborations to encourage joint ventures in commercial shipbuilding. Such international partnerships would accelerate the development of US shipbuilding capacity, enhance knowledge transfer, and ensure realistic and sustainable growth in America's shipbuilding industry without burdening American businesses with prohibitive costs.