March 24, 2025

The Honorable Jamieson Greer
Office of the U.S. Trade Representative
Executive Office of the President
600 17th Street NW
Washington DC 20508

Submitted electronically

Re: Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance, Docket No. USTR-2025-0002

Dear Ambassador Jamieson Greer:

The National Industrial Transportation League ("NITL" or the "League") submits these comments in response to the actions proposed by the U.S. Trade Representative ("USTR") under Section 301 of the Trade Act of 1974 to mitigate and reverse the harm caused by China's targeting of the maritime, logistics, and shipbuilding sectors.[1]

NITL strongly supports USTR's investigation into China's maritime practices and agrees with its conclusions that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance is unreasonable, and burdens and restricts U.S. commerce by undercutting business opportunities and investments in the U.S. maritime, logistics, and shipbuilding sectors.[2] In its Report released in January 2025, USTR determined that China has created an unfair advantage for its shipbuilding industry through special financing support, restrictive barriers on competing firms, theft of intellectual property, procurement practices, and more. Further, these practices deprive market-oriented businesses and their workers of commercial opportunities, restrict competition and choice, and create economic security risks by increasing dependence on China and reducing supply chain resilience.[3]

NITL fully supports the ultimate objective of the USTR to counteract China with respect to the unreasonable and restrictive practices. However, the actions proposed by the USTR will almost certainly lead to adverse impacts for U.S. businesses, including a dramatic increase in shipping rates (for both bulk and container carriers), reduced vessel capacity, consolidated port calls, congestion, and intermodal and supply chain disruptions.

I. NITL Identity and Interest

NITL was founded in 1907, and its member companies range from some of the largest users of the nation's transportation systems to smaller companies engaged in the shipment and receipt of goods. The League is the "voice of the shipper" on freight transportation policy matters involving all modes, including ocean. NITL members are active maritime shippers who move a variety of commodities via ocean carriers including consumer goods, agriculture, chemicals, steel, forest products, fuel, food, and more. NITL members spend billions of dollars on freight annually, and our global shippers require

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[1] *Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance*, 90 Fed. Reg. 10,843 (Feb. 27, 2025).
[2] *Report on China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance*, Office of the U.S. Trade Representative (Jan. 16, 2025), at x-xi.
[3] *Id*.

reliable and cost-effective ocean transportation services from vessel-operating common carriers to meet their production and customers' requirements. NITL strongly supports policies that promote competitive and efficient transportation systems that can satisfy its members' dynamic supply chain requirements.

II. NITL Supports the Objectives of the Proposed Section 301 Actions

It is clear from the USTR's report that China's decades-long practices in the maritime, logistics, and shipbuilding sectors are unreasonable, and burden and restrict U.S. commerce. Upon such a determination, the USTR is granted authority, subject to the specific direction of the President, to take action to eliminate the harmful practices. NITL supports actions by the USTR pursuant to Section 301(c) of the Trade Act of 1974 to address China's targeting of these sectors by seeking to reduce the use of Chinese built and operated vessels, while simultaneously promoting the growth of the U.S. shipbuilding sector and U.S. flag commercial shipping. Generally, the USTR's proposed actions to combat these practices would impose substantial fees on the operators of vessels built in China each time such vessels call on a U.S. seaport, restrict ocean transportation services to promote the export of U.S. goods on U.S. vessels, and reduce exposure to China-based technology platforms used for logistics data. Despite its support for the objectives of such actions, NITL is concerned that some of the actions contemplated by the USTR will have unintended consequences to the detriment of U.S. companies, shippers, and consumers. NITL highlights these concerns to the USTR while supporting the overall goal to reduce dependence on China, increase competition and supply chain resilience, and revitalize the U.S. shipbuilding sector.

III. Section 301 Proposed Actions

USTR proposed taking one or more of the following actions to "create leverage" and respond to China's unreasonable targeting of the maritime, logistics, and shipbuilding sectors:

- **Service Fee on Chinese Maritime Transport Operators:** A vessel operator of China will be charged a fee on the international maritime transport being provided (a) at a rate of up to $1,000,000 per entrance of any vessel of that operator to a U.S. port; or (b) per entrance of any vessel of that operator to a U.S. port, at a rate of up to $1,000 per net ton of the vessel's capacity.[4]
- **Service Fee on Maritime Transport Operators with Fleets Comprised of Chinese-Built Vessels:** Upon the entrance of a Chinese-built vessel to a U.S. port, a fee will be charged to that vessel's operator (a) at a rate of up to $1,500,000; (b) based on the percentage of Chinese-built vessels in that operator's fleet: for operators with 50 percent or greater of their fleet comprised of Chinese-built vessels, the operator will be charged up to $1,000,000 per vessel entrance to a U.S. port; for operators with greater than 25 percent and less than 50 percent of their fleet comprised of Chinese-built vessels, the operator will be charged a fee up to $750,000 per vessel entrance to a U.S. port; for operators with greater than zero percent and less than 25 percent of their fleet comprised of Chinese-built vessels, the operator will be charged a fee up to $500,000 per vessel entrance to a U.S. port; or (c) based on the percentage of Chinese-built vessels in an operator's fleet: an additional fee of up to $1,000,000 will be charged to a vessel operator per vessel entrance to a U.S. port if the number of Chinese-built vessels in the operator's fleet is equal to or greater than 25 percent.[5]

[4] *Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance*, 90 Fed. Reg. at 10,844.
[5] *Id.* at 10,845.

- **Service Fee on Maritime Transport Operators with Prospective Orders for Chinese Vessels:** An additional fee will be assessed based on the percentage of vessels ordered from Chinese shipyards: (a) for operators with 50 percent or greater of their vessel orders in Chinese shipyards or vessels expected to be delivered by Chinese shipyards over the next 24 months, the operator will be charged up to $1,000,000 per vessel entrance to a U.S. port; for operators with greater than 25 percent and less than 50 percent of their vessel orders in Chinese shipyards or expected to be delivered by Chinese shipyards over the next 24 months, the operator will be charged up to $750,000 per vessel entrance to a U.S. port; for operators with greater than zero percent and less than 25 percent of their vessel orders in Chinese shipyards or expected to be delivered by Chinese shipyards over the next 24 months, the operator will be charged up to $500,000 per vessel entrance to a U.S. port; or (b) a fee of up to $1,000,000 per vessel entrance to a U.S. port will be charged to a vessel operator if 25 percent or more of the total number of vessels ordered by that operator, or expected to be delivered to that operator, are ordered or expected to be delivered by Chinese shipyards over the next 24 months.[6]
- **Restrictions on Services to Promote the Transport of U.S. Goods on U.S. Vessels**
  - The international maritime transport of all U.S. goods, such as capital goods, consumer goods, agricultural products, and chemical, petroleum, or gas products, must comply with the following schedule:
    - Effective on the date of implementing any action, at least 1 percent of U.S. products exported by vessel per calendar year must be transported on U.S.-flagged vessels operated by U.S. companies.
    - Effective 2 years after the date of any action, at least 3 percent of U.S. products exported by vessel per calendar year must be transported on U.S.- flagged vessels operated by U.S. companies.
    - Effective 3 years after the date of action, at least 5 percent of U.S. goods exported by vessel per calendar year must be transported on U.S.-flagged vessels operated by U.S. companies, with at least 3 percent on U.S.-flagged, U.S.-built vessels.
    - Effective 7 years after the date of action, at least 15 percent of U.S. goods exported by vessel per calendar year must be transported on U.S.-flagged vessels operated by U.S. companies with at least 5 percent on U.S.-flagged, U.S.-built vessels.
  - The international maritime transport of U.S. goods must comply with the following restrictions:
    - U.S. goods must be exported on U.S.-flagged, U.S.- built vessels. However, export on a non-U.S.-built vessel is permitted if the operator providing international maritime transport services demonstrates that at least 20 percent of the U.S. products they transport annually by vessel will be carried on U.S.-flagged, U.S.-built ships.
- **Reduced Exposure to China's LOGINK or Other Similar Platforms**
  - Another proposed action by the USTR would be to reduce exposure to and risks from China's promotion of the National Transportation and Logistics Public Information

[6] *Id.*

Platform (LOGINK) or other similar platforms. This could include recommending that relevant U.S. agencies investigate alleged anticompetitive practices from Chinese shipping companies, restricting LOGINK access to U.S. shipping data, or banning or continuing to ban terminals at U.S. ports and U.S. ports from using LOGINK software.

IV. Impact and Unintended Consequences of the Proposed Actions

a. Ocean container carriers and bulk carriers will pass through the fees to U.S. exporters and importers

The World Shipping Council ("WSC"), whose members are the world's leading container carriers, estimates that the USTR's proposal will impose fees of $1M to $3.5M per port call, and that such port entry fees could add $600-$800 per container (TEU) imported to or exported from the U.S. WSC has further stated that approximately $1 trillion in imports could be impacted, while the fees could effectively double the cost of shipping U.S. exports. While the proposed fees are intended to penalize carriers who continue to use Chinese built ships, in order to reduce China's increasing dominance in shipbuilding, the fees will undoubtedly have immediate and significant negative effects on U.S. exporters and importers. This is because the port fees assessed by the proposed action will be passed through from the carriers to the purchasers of ocean transportation services. This is a particular concern because, as recent as 2024, China-built container carriers held an 81% market share, and China-built bulk carriers held a 75% market share. And the trend will likely continue to increase because of the number of China-built container carriers currently on order from the largest ocean carriers: over 79% of the future vessels of Maersk, Hapag-Lloyd, COSCO, and MSC will be made in China.[7]

Exports in the agriculture sector can be particularly low margin and cost sensitive. Because the ocean carriers will pass through the port call fees to these American companies, and because their foreign competitors would not be subject to such increased costs, the fees could lead to a counter-productive reduction in U.S. exports. Additionally, regarding small and specialized fleets, such as chemical tankers, there are grave concerns with the impact of the fees. The chemical industry has estimated that for smaller chemical tankers, the costs could translate into a staggering 1,705% increase in freight costs and 68-77% increase in costs for end users, which would cause a sharp drop in U.S. chemical exports and production output.

b. Reduced vessel capacity in the United States

The port fees will also contribute to a reduction in the vessel capacity of the U.S. If carriers are unable to pass on the costs of the port fees to shippers, some carriers, and in particular smaller carriers, could simply stop serving U.S. ports. Given the overwhelming market share that China-built vessels have, this will lead to a substantial reduction in the number of vessels that make calls at U.S. ports. Some carriers operate only China-built vessels, which could cause those carriers to discontinue temporarily or permanently serving U.S. ports to avoid incurring the port fees, further reducing vessel capacity needed (and thus competition) for ocean transportation services. This in turn would cause transportation rates to increase.

[7] LaRocco, Lori Ann, *Trump is targeting China-made containerships in new flank of global economic war on the oceans*, State of Freight, CNBC (Mar. 11, 2025), *available at* https://www.cnbc.com/2025/03/11/trump-pursues-new-trade-war-on-seas-targeting-china-containerships.html.

c. Consolidated port calls and congestion

In 2024, 17% of the nearly nine billion TEUs that arrived at U.S. ports were transported by China-built vessels.[8] To avoid incurring the billions of dollars in port fees, carriers operating China-built ships would consolidate port calls at larger U.S. ports.[9] The consolidation of port calls by carriers would increase demand for vessels making calls at fewer U.S. ports, reducing vessel capacity, and increasing congestion, as U.S. imports and exports would be forced to flow through a smaller number of U.S. ports. Carriers with larger numbers of China-built vessels could choose, temporarily or permanently, to discontinue serving U.S. routes to avoid or reduce the impact of incurring the port fees. This would mean reduced vessel traffic to ports that are already underperforming,[10] and a significant increase in vessel traffic to larger U.S. ports. The shift in service to only a few U.S. ports would inevitably lead to congestion and greater volumes at the ports which could lead to longer wait times, and shippers incurring detention and demurrage as we saw during the COVID-19 pandemic. Congestion concerns would also exist if container carriers decide to use their largest vessels in the U.S. trades since only a limited number of U.S. ports can handle the largest TEU vessels.

d. Downstream intermodal interruption

Fewer port calls and congestion would also have a domino effect inland. If ocean carriers reduce the number of port calls, railroads (where possible) and motor carriers will be forced to redirect their resources to those ports as well. Approximately 10,000 to 15,000 ocean containers move by rail each year from smaller ports such as Oakland, Mobile, and Philadelphia, to Chicago. Two railroads, BNSF and UP, haul that same volume from Southern California to Chicago every 10 to 14 days.[11]

e. Supply chain disruption

USTR's proposed actions will cause carriers with large numbers of China-built vessels to pass through the port fees to shippers and the ultimate consumer. If this is not possible, then carriers will consolidate port calls or even eliminate some U.S. ports altogether. These are not just hypothetical concerns, as the CEO of the largest container shipping company stated that routes will be eliminated if the costs cannot be passed through, and "marginal ports, the peripheral ports, will be at risk" of elimination.[12] The cumulative effects of all of these will be supply chain disruption reminiscent of the COVID-19 pandemic. Rerouting ocean vessels will lead to bottlenecks and congestion which will push inland, affecting rail and motor carriers that serve the U.S. ports. Finally, the port fees will be passed through to shippers in the form of higher rates and surcharges, which will inevitably lead to higher prices for the American consumer.

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[8] *Service Fees on Chinese Vessels Could Cost Billions*, Maritime Logistics Professional (Feb. 27, 2025), *available at* https://www.maritimeprofessional.com/news/service-fees-chinese-vessels-could-402901.

[9] Knowler, G., *TPM25: Port tax on Chinese ships will make some routes unviable: MSC's Toft*, Journal of Commerce (Mar. 3, 2025), *available at* https://www.joc.com/article/tpm25-port-tax-on-chinese-ships-will-make-some-routes-unviable-mscs-toft-5954640.

[10] LaRocco, Lori Ann, *Trump is targeting China-made containerships in new flank of global economic war on the oceans*, State of Freight, CNBC ("U.S. ports, unfortunately, are not seeing their full potential, because the ports are not operating 24/7. If you look at the realities, the U.S. ports are effectively operating 60% of the work week . . ..").

[11] Ashe, A., *Proposed US tax on Chinese ship calls could pressure intermodal networks*, Journal of Commerce (Mar. 11, 2025), *available at* https://www.joc.com/article/proposed-us-tax-on-chinese-ship-calls-could-pressure-intermodal-networks-5960849.

[12] Knowler, G., *TPM25: Port tax on Chinese ships will make some routes unviable: MSC's Toft*, Journal of Commerce.

V. Revitalization of the U.S. Shipbuilding Sector

NITL appreciates the USTR's objective to phase-in ocean carriage of exports on U.S. flagged vessel over a set period of time but urges the USTR to clarify certain aspects of the program.

The USTR proposes to require the maritime transport of U.S. exported goods "such as capital goods, consumer goods, agricultural products, and chemical, petroleum, or gas products" to comply with a schedule that phases-in increasingly higher volumes of goods shipped on U.S. flagged vessels over a 7-year period. Eventually, the schedule will require those U.S. flagged vessels to also be built in the U.S. The schedule would be effective on "day one" and require exporters to transport at least 1% of U.S. products on U.S. flagged vessels by U.S. operators, with 3% of U.S. exports meeting these requirements by year two. Additional clarification is needed as to how this program will be implemented and enforced, including identification of the specific goods that would be subject to the proposed schedule.

By year three, 5% of U.S. exports must be shipped on U.S. flagged vessels, with at least 3% on U.S. flagged and built vessels, which increases to 15% and 5% respectively in year 7. Again, NITL supports the objective to reinvigorate the U.S. maritime shipbuilding sector, but considering the relatively long lead time that will be necessary for U.S. flagged vessels to be built in the U.S. and be put into service, the demand for space on U.S. flagged vessels in the outer years could exceed the supply. NITL asks the USTR to provide greater clarity if such circumstances were to occur, including if waivers or other options would be available in cases where US-built vessel capacity is inadequate to meet the program's requirements.

VI. Conclusion

NITL supports USTR's objective to combat China's aggressive targeting of the maritime, logistics, and shipbuilding sectors. However, because of the significant adverse impacts that will result from the proposed actions as described herein, NITL urges USTR to consider alternative remedies that will combat China's unfair practices without causing unintended harm on U.S. businesses that depend on the availability of efficient, robustly competitive, and cost-effective ocean shipping services.

Sincerely,

E. Nancy O'Liddy

Nancy O'Liddy
Executive Director
The National Industrial Transportation League