Agriculture Transportation Coalition

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AgTC Briefing – February 26, 2025

USTR's Dramatic Proposal to Tax Chinese-Built and/or Operated Ships Calling on US Ports and Force US Exporters to Ship on US Flag and Built Ships (regardless of cost)

Summary: The U.S. Trade Representative's office is proposing charging up to $1.5 million for Chinese-built vessels entering U.S. ports as part of its investigation into China's growing domination of the global shipbuilding, maritime and logistics sectors, and its effort to promote US shipbuilding.

USTR opened the investigation in April 2024 **at the request** of the United Steelworkers and four other unions, under Section 301 of the Trade Act of 1974, as a way to rebuild the US shipbuilding industry. **The results of the probe** were released days before Donald Trump's inauguration.

Report: Decline of US Shipbuilding; Growth of China's Industry

On January 16, 2025, USTR issued a 182 page report on the decline of US shipbuilding and US-flag carriers, focusing on the dramatic expansion of China's shipbuilding and ship operating sectors. See the Report here: **report on a probe**

Some conclusions: China increased its share of global shipbuilding tonnage from 5% in 1999 to over 50% in 2023 because of massive state subsidies and preferential treatment for state-owned enterprises that are squeezing out private-sector international competitors. U.S. shipyards were building 70 ships in 1975, but five annually today.

USTR Proposes Fees on Chinese Vessels

On February 21, USTR formally proposed significant measures designed to reduce the presence of Chinese-built and operated ships and increase the role of US shipbuilding and US-flag commercial shipping. A public hearing is scheduled for March 24. **Federal Register notice**

Fees on Chinese-Owned Ships

- US port entrance fees of up to $1 million per vessel owned by Chinese maritime transport operators, such as the state-owned COSCO.
- Alternatively, the U.S. would charge $1,000 per net ton of a vessel's cargo capacity.

Fees on Chinese-Built Ships (regardless of nationality of the shipping company):

- Non-Chinese shipping companies operating Chinese-built ships would pay up to $1.5 million per US port entry.

- Shipping companies with greater than 50% Chinese-built fleets would pay $1 million per vessel entry regardless of origin.

- Shipping companies with Chinese-built fleet percentage between 25% and 50% would pay $750,000

- Companies with under 25% Chinese-built ships would pay $500,000.

Fees on Ships on Order from Chinese Shipyards:

- USTR proposes a second set of fees in similar amounts, to apply to **ships on order** from Chinese shipyards to be delivered over the next two years.

Subsidies/Incentives for US-built ships:

USTR proposes that fees collected from a shipping company on its Chinese ships calling on US ports, could be refunded by up to $1 million per entry into a U.S. port by a cargo ship built in US shipyard.

Mandating that some US exports be shipped on US-flagged vessels:

The proposed remedies would require increasing amounts of US exports to be shipped on U.S. flagged-vessels (not necessarily built in US shipyards, but must be US-owned with US citizen crew).

- At least 1% of U.S. exports shipped on U.S. flag-vessels for the first two years,
- 3% after two years,
- 5% after three years,
- 15% after 7 years.

NOTE: Unclear how this obligation - and the likely higher cost of US shipping -- would be distributed among exporters. Such exports would include capital goods, consumer goods, agricultural products, chemical petroleum, gas products.

Mandating some US exports be shipped on US-built vessels:

- After three years, 3% of U.S. exports would have to be shipped on vessels built in US shipyards, increasing to 5% after seven years.

Limiting China's Access to US Shipping Data:

Restrict China's National Transportation and Logistics Public Information Platform access to U.S. shipping data. Ban U.S. marine terminals from using LOGINK software.

Impact on US Agriculture and Forest Products Exporters (as well as all exporters) and to a different degree – all importers.

Imposing a fee or tax on all ships owned by one of the world's largest shipping companies used by agriculture exporters (COSCO) obviously **increases the cost of getting US exports to our largest overseas markets**. Other countries with which US ag and forest products compete, are not proposing such fees. Thus, **US ag would bear higher transport costs than our foreign competitors.** Which other companies will be taxed? OOCL? Which other Chinese companies? Which will be considered 'state-owned'?

But the nationality of the shipping line doesn't really matter, as a very high percentage of the world's fleet was built in Chinese shipyards, and an even higher percentage of the order book is placed in Chinese shipyards. So the ships of every carrier will be subject to substantial taxes, and as all costs, they are ultimately borne by the shipper. Again, **ag exporters (and importers) from/to other countries will not be bearing these costs, as the Chinese-built ships calling on non-US countries would not be taxed**.

Particularly concerning are provisions mandating increasing percentages of US exports be carried on US-flagged (subject to myriad and costly regulations, and manned by US maritime union seagoing labor) and soon, ships built in US shipyards. US shipyards provide great jobs for US labor, but produce dramatically more expensive ships. Ultimately this **higher cost would be borne by the US exporter**.

AgTC Mantra: "Nothing we produce in agriculture or forest products here in the US cannot be sourced from a foreign country; if we cannot deliver to our overseas customer affordably and dependably, they will find alternative sources, and US ag loses that market."

Agriculture is high volume and low margin, the dramatic costs that this proposal would impose on US ag exports, would **simply make our US ag unaffordable and non-competitive in the global markets**. We wouldn't be exporting, so would not be shipping. No demand for ships regardless of where built, no demand for US flag ships with US maritime labor, no demand for ships built in US shipyards.

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