Articles + Publications | April 22, 2025

USTR Takes Action to Counter China's Dominance in Maritime, Logistics, and Shipbuilding Sectors

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On April 17, the Office of the United States Trade Representative (USTR) announced proposed trade actions under Section 301 of the Trade Act of 1974 (Trade Act) to counteract China's systemic dominance in the maritime, logistics, and shipbuilding sectors. The announcement follows a year-long investigation prompted by a petition from five major U.S. labor unions and culminates in a series of targeted, phased policy actions designed to reduce U.S. dependency on Chinese-controlled infrastructure, revive domestic shipbuilding capacity, and enhance national economic security.

The proposed actions include phased service fees on vessel operators and new tariffs on cargo handling equipment such as ship-to-shore (STS) cranes, with a public comment and hearing process now underway. If adopted as proposed, the new paradigm would support implementation of President Trump's Executive Order 14269, which outlines a broader strategy to revitalize U.S. maritime industries through:

- Maritime Action Plan: Enhancing domestic shipbuilding and workforce development.
- International Coordination: Engaging allies to align trade policies and reduce dependence on Chinese infrastructure.
- Incentives for Allied Investment: Encouraging allied shipbuilders to invest in U.S. facilities.
- Maritime Security Trust Fund: Proposing to use fee revenues to fund domestic maritime programs.

Background: US Labor Unions Sound the Alarm

The Section 301 investigation began in response to a March 2024 petition from five influential U.S. labor organizations — the United Steelworkers (USW), International Association of Machinists and Aerospace Workers (IAM), International Brotherhood of Boilermakers (IBB), International Brotherhood of Electrical Workers (IBEW), and the Maritime Trades Department of the AFL-CIO (MTD). The petition alleged that China's top-down industrial policies — including subsidies, market share targets, and other nonmarket interventions — were designed to dominate key maritime sectors and undermine global competition.

USTR initiated an investigation on April 17, 2024, following consultations with advisory committees and the Section 301 Committee. The investigation culminated in the January 16, 2025 "Report on China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance," which found that China's practices are unreasonable and burden U.S. commerce.

Key findings include:

- China's Market Dominance: China controls over 50% of global shipbuilding tonnage (up from less than 5% in 1999), 19% of the commercial world fleet, 70% of ship-to-shore (STS) cranes, 86% of intermodal chassis, and 95% of shipping containers.
- Non-Market Practices: China employs top-down industrial planning, including five-year plans with quantitative targets, subsidies, and policies that displace foreign competitors, reduce competition, and create U.S. supply chain vulnerabilities.
- Economic and Security Risks: Dependence on Chinese maritime infrastructure undermines U.S. economic security, restricts competition, and limits commercial opportunities for U.S. firms and workers.

The USTR determined that China's actions merit response under Sections 301(b) and 304(a) of the Trade Act (19 U.S.C. 2411(b), 2414(a)), as they displace foreign firms, lessen competition, and create economic dependencies.

Fee Structure on Maritime Transport Services

The USTR notice establishes three categories of phased service fees, to be implemented incrementally over a three-year period:

1. Chinese Operators and Owners

- Who is Covered: Vessels operated or owned by Chinese entities, defined broadly to include entities headquartered, controlled, or substantially influenced by China (including Hong Kong and Macau).
- Fee Basis: Net tonnage (NT).
- Fee Timeline:
  - April 17 – October 14, 2025: $0
  - October 14, 2025: $50/NT
  - Annually increasing to $140/NT by April 2028
- Fee Cap: Maximum of five entries per year per vessel.

2. Chinese-Built Vessels

- Who is Covered: Any vessel built in China, regardless of current ownership, unless exempt.
- Fee Basis: Higher of either NT or container count.
- Fee Timeline (NT):
  - October 2025: $18/NT
  - April 2026: $23/NT
  - April 2027: $28/NT
  - April 2028: $33/NT
- Fee Timeline (Container): October 2025: $120/container, rising to $250 by April 2028.
- Exemptions: Vessels arriving empty or in ballast, small-capacity ships, short-sea shipping, U.S.-owned vessels, specialized export vessels, and those in U.S. maritime programs.

3. Foreign-Built Vehicle Carriers

- Who is Covered: All non-U.S.-built vehicle carriers.
- Fee Basis: Car equivalent unit (CEU) capacity.
- Fee Timeline: October 2025: $150/CEU.

In all cases, vessel owners can receive a three-year fee remission if they order and take delivery of a U.S.-built vessel of equivalent size within that period.

LNG Export Restrictions

Beginning in 2028, U.S. liquefied natural gas (LNG) exports must be increasingly transported on U.S.-built, U.S.-flagged, and U.S.-operated vessels. The requirement starts at 1% of exports in 2028 and gradually increases to 15% by 2047. Operators that invest in U.S.-built LNG carriers are eligible for three-year exemptions. The provision acknowledges the lack of current domestic capacity while committing to long-term industrial development.

Proposed Tariffs on STS Cranes and Cargo Equipment

In line with Executive Order 14269, "Restoring America's Maritime Dominance," USTR also proposes: up to 100% tariffs on (1) STS cranes made with Chinese components or by People's Republic of China-influenced companies and (2) Chinese intermodal chassis and shipping containers.

In particular, the USTR proposes to assess additional duties on the following:

Item	HTSUS	Proposed Rate
Containers	8609.00.00	20% to 100%
Chassis	8716.39.0090	20% to 100%
Chassis parts	8716.90.30	20% to 100%
Chassis parts	8716.90.50	20% to 100%
Ship- to-shore gantry cranes, configured as a high- or low-profile steel superstructure and designed to unload intermodal containers from vessels with coupling devices for containers, including spreaders or twist-locks	Provided for in subheading HTSUS 8426.19.00	100%

USTR proposes to assess these additional duties in addition to duties assessed under other authorities, including the general duties rate and anti-dumping or countervailing duties. These proposed tariffs directly target Chinese dominance in the cargo equipment market and are intended to secure critical logistics infrastructure from foreign control.

Request for Comments and Timeline

Public comments on the proposal are due by May 8, with a public hearing scheduled for May 19. Comments must be submitted via USTR's online portal: https://comments.ustr.gov/s/

Industries Likely to Face Issues and Mitigation Strategies

The USTR's actions will impact several industries, with potential challenges and proposed mitigation strategies outlined below based on public comments and economic considerations.

1. Shipping and Logistics Industry

Issues:

Cost Increases: Fees on Chinese operators, Chinese-built vessels, and foreign-built vehicle carriers may raise shipping costs, potentially passed to importers/exporters, affecting supply chains.
Port Diversion: Operators may consolidate port calls to major hubs to minimize fees, reducing activity at smaller U.S. ports and impacting local jobs.
Capacity Constraints: Limited U.S. shipyard capacity (currently no U.S.-built LNG vessels) and vessel construction funding limitations may delay operators' ability to comply with fees or LNG restrictions.

Mitigation Strategies:

Phased Implementation: The 180-day grace period and gradual fee increases allow operators to adjust operations or attempt to source alternative vessels.

Fee Suspensions: If fully and efficiently implemented, federal funding incentives for ordering U.S.-built vessels could help offset the economic challenges attendant to constructing U.S. Flag LNG carriers and encourage long-term investment in domestic fleets.

Exemptions: Exclusions for short-sea shipping, smaller vessels, and U.S.-Flagged vessels reduce impacts on regional trade and smaller operators.

Public-Private Partnerships: Encourage investment in U.S. shipyards for the construction of commercial vessels through grants, tax credits, or the proposed maritime security trust fund to expand capacity.

2. Export Industries (Agriculture, Coal, Bulk Commodities)

Issues:

Competitiveness: Higher shipping costs due to the proposed fees may make U.S. exports (*e.g.*, agriculture, coal) more expensive and therefore less competitive globally, especially for bulk carriers reliant on Chinese-built vessels.

LNG Exports: Restrictions starting in 2028 may limit export capacity if U.S.-built LNG vessels are unavailable, potentially reducing U.S. market share.

Mitigation Strategies:

Targeted Exemptions: Exclusions for vessels carrying bulk cargo below certain thresholds (*e.g.*, 80,000 DWT) and specialized export vessels could mitigate impacts on commodity exports.

Long-Term LNG Transition: The 22-year phase-in for LNG restrictions (1% in 2028 to 15% in 2047) would provide the necessary runway to bolster U.S. LNG vessel capacity.

Infrastructure Investment: Use fee revenues to fund port and shipyard upgrades, reducing long-term costs for exporters.

3. Port Operations and Smaller Ports

Issues:

Reduced Traffic: Fees assessed per port call could lead operators to bypass smaller ports, reducing economic activity and jobs in these communities, but potentially leading to port congestion problems at larger ports.

Infrastructure Costs: Proposed tariffs on Chinese STS cranes and equipment would increase costs for port upgrades to replace the targeted equipment, as alternative suppliers are limited.

Mitigation Strategies:

Per-Voyage Fees: Fees are assessed per rotation (not per port call), reducing incentives to skip smaller ports.

Tariff Phase-In: A potential six–24-month phase-in for tariffs (subject to public comment) allows ports to source non-Chinese equipment more gradually.

Federal Support: Increase funding to the maritime security trust fund, and allocate a portion of the augmented revenues to smaller ports for infrastructure upgrades and job retraining programs.

Allied Sourcing: Encourage sourcing of cranes and equipment from allied nations (*e.g.*, Japan, South Korea) to diversify supply chains.

4. US Shipbuilding and Maritime Workforce

Issues:

- Capacity Shortfalls: U.S. shipyards lack the capacity to meet demand for commercial vessels, especially LNG carriers, limiting the effectiveness of fee suspensions.
- Skilled Labor Shortages: A lack of trained mariners and shipyard workers may hinder scaling production to meet new demand.

Mitigation Strategies:

- Workforce Development: Fund training programs through the maritime security trust fund to address labor shortages.
- Shipyard Modernization: Provide grants or low-interest loans to expand and modernize U.S. shipyards, focusing on commercial vessel production.
- Incentives for Investment: Implement tax credits or subsidies for U.S. and allied shipbuilders to build new facilities or retrofit existing ones.
- Long-Term Planning: The phased LNG restrictions and fee suspensions provide a clear demand signal to stimulate and facilitate investment over decades.

5. Consumers and Importers

Issues:

- Price Increases: Higher shipping costs may lead to increased prices for imported goods, impacting consumers and retailers, which increased costs may be amplified by the ongoing tariff dynamics between the U.S. and China
- Supply Chain Risks: Tariffs on Chinese equipment could cause delays in port operations if alternative suppliers cannot meet demand.

Mitigation Strategies:

- Gradual Implementation: Phased fees and potential tariff phase-ins minimize immediate price shocks.
- Diversified Sourcing: Create incentives for importers to source from non-Chinese suppliers, supported by trade agreements with allies.
- Consumer Protections: Monitor price increases and provide temporary relief (*e.g.*, tax rebates) for essential goods if costs rise significantly.
- Supply Chain Resilience: Bolster investment in domestic manufacturing of cargo handling equipment to reduce long-term reliance on imports.

Implications for Industry

The proposed actions mark one of the most ambitious uses of Section 301 authority since the 2018 tariffs on Chinese goods. Industry stakeholders are expected to scrutinize supply chain disruptions and cost implications, feasibility of sourcing U.S.-built vessels amid domestic shipyard capacity and vessel construction financing constraints, enforcement mechanisms and potential exemptions, and the risk of retaliation by China.

This alert is intended as a guide only and is not a substitute for specific legal or tax advice. Please don’t hesitate to reach out to the authors with questions.

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