U.S. Chamber of Commerce

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March 24, 2025

The Honorable Jamieson Greer
Ambassador
United States Trade Representative
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

RE: Opposition to Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance (USTR–2025–0003)

Dear Ambassador Greer:

The U.S. Chamber of Commerce (Chamber) appreciates the opportunity to comment on the Office of the U.S. Trade Representative's (USTR) proposed actions in response to the findings of the Section 301 investigation of China targeting the maritime, logistics, and shipbuilding sectors for dominance.

While the Administration is correct to scrutinize China's growing maritime influence and its implications on global competitiveness, the proposed response outlined by USTR is unlikely to deter China's broader maritime ambitions. Instead, USTR's proposal to add as much as $3.5 million in fees for every port call by an ocean carrier and require a significant increase in the use of U.S.-built and U.S.-flagged ships would raise U.S. consumer prices and may rekindle supply chain challenges like those experienced during the pandemic, while undermining the global competitiveness of critical U.S. exports, including energy and agriculture. Further, because the U.S. Supreme Court ruled in 1998 that imposing the Harbor Maintenance Fee to exports is unconstitutional, we expect the same logic would apply to USTR's proposed export fee.

We urge the Administration to consider other more effective measures to address the challenges posed by China's proliferating maritime influence.

USTR's Actions Will Add Costs and Complexity to U.S. Supply Chains - A Critical Element to U.S. Competitiveness

Today, U.S. businesses are facing higher costs associated with logistics, including ocean shipping. The Council of Supply Chain Management Professionals reports that logistics costs *overall* for U.S. businesses were near record highs of $2.734 trillion in 2023, a 10.9% increase since 2021.[1] Driving these cost increases are geopolitical instability, intensification of military conflict worldwide, and the fragmentation of global trade.

[1] Council of Supply Chain Management Professionals, 2024 Logistics Report, p. 4

Ocean shipping is a significant component of these costs, and overall shipping costs are experiencing price increases. Drewry's World Container Index reports that it currently costs $2,264 to ship a 40-foot container.[2] This is 67% higher than the average $1,420 per 40-foot container in 2019 – with much of this driven by continuing shipping disruptions, like the Houthi attacks along the Red Sea.[3] Additionally, terminal operators at U.S. ports recently agreed to historically high pay increases for their dockworkers, putting additional pressure on freight rates.[4]

The World Shipping Council estimates that USTR's proposed fees would be applicable to 98% of all U.S. port calls and would add anywhere from $600 to $800 per container (approximately 25% cost increase) for most routes to the United States, amounting to an additional annual cost of $30 billion for U.S. consumers. These costs would be felt more acutely on transatlantic routes, where ships are typically smaller in size and have fewer customers among who to distribute the fees. Importantly, shippers of bulk freight (e.g., coal, grains, construction materials, and chemicals), would feel these fees even more acutely, as bulk freight is typically shipped for one customer at a time—meaning one importer would bear the full impact of the fees.

These proposed fees would encourage shippers to limit port calls, bypass smaller ports or ports serving export markets (including those listed in **Figure 1**) and instead concentrate shipments to larger ports with extensive logistics networks—such as the Ports of New York-New Jersey, Los Angeles, and Long Beach. Some companies may be unable to adjust to such changes, as the ports they utilize, and their adjacent infrastructure, often serve a specific role or are utilized because of optimal access for customers. For example, one Chamber member that produces chemicals reported that it currently costs approximately $1 million to deliver to a U.S. port adjacent to one of its plants. The potential of $3.5 million in additional costs for that delivery makes it highly likely that the plant would shut down if the company could not identify a cost-effective way to transport to a foreign port. Not only will this strain trucking and rail networks, but it could shift jobs and business opportunities out of the U.S. and to Canada and Mexico.

Eliminating or drastically reducing ocean traffic to the ports identified in Figure 1 would have a ripple effect on local economies. Each port functions as a network of players: ocean

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[2] Drewry, *World Container Index – March 20, 2025.* https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry. Drewry World Container Index reports actual spot container freight rates for major East West trade routes. The Index consists of eight route-specific indices representing individual shipping routes and a composite index. All indices are reported in U.S. dollars per 40-foot Container.

[3] Drewry, *World Container Index – March 13, 2025.* https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index (Shipping costs are still 78% below the pandemic peak of $10,377 in September 2021.)

[4] https://ilaunion.org/international-longshoremens-association-and-united-states-maritime-alliance-officially-sign-historic-six-year-master-contract-agreement-at-ceremonies-in-new-jersey-ila-longshore-workers-on-a/

carriers, a skilled labor force, warehouse facilities, logistics partners, trucking companies, railroads, maintenance facilities, cargo handling operators, and government entities. Port workers who recently reached labor agreements would now see reductions in work. Local and small businesses that benefit from a port's presence could see significant reductions in business—including local restaurants, retailers, and others.

Fig. 1. U.S. Ports Likely to Lose Service

Port	Primary Use	Main Industries Served
Mobile, AL	Import/Export	Coal, produce, frozen pork & poultry, apparel, cotton, automobiles, ore
Oakland, CA	Export	Agricultural and refrigerated products
Wilmington, DE	Import	Fresh fruit/refrigerated goods, liquid bulk petroleum, automobiles, steel
Jacksonville, FL	Import	Lumber, paper, wood pulp, steel, metals
Miami, FL	Import	Fruits and vegetables, apparel & textiles, machinery, furniture, vehicles
Savannah, GA	Import	Food, wood pulp, auto products, paper
New Orleans, LA	Export	Soybeans, refined petroleum, aircraft parts, frozen poultry, paper & pulp, plastic
Gulfport, MS	Import	Fresh produce, frozen poultry, apparel, automobiles, ore
Philadelphia, PA	Import	Containers, dry bulk, automobiles, refrigerated products
Charleston, SC	Import	Auto products, agricultural goods, forest products
Norfolk, VA	Export	Soybeans, grain products, prepared grocery items, machinery, automobiles

This would shift and clog the broader logistics network and could create a situation like the backlogs experienced during the COVID-19 pandemic at major ports. Because the USTR's proposed fees will incentivize fewer port calls to minimize cost increases, more traffic will be diverted to larger ports at the expense of smaller ports. This would create congestion at those major ports since they will be managing more freight than historical norms, resulting in slowing cargo velocity and lengthening transit times, creating more costs for businesses and potentially lengthy delays getting goods to customers.

Similar to the pandemic-era supply chain backlogs, we expect that this shifting of more ocean traffic to fewer U.S. ports will increase costs for businesses, due to increased detention and demurrage fees, delays in deliveries due to worker availability, limited port hours, and availability of capacity at warehouses and intermodal facilities to move freight onto rail or trucks. In addition, trucking, rail, and barge carriers may shift capacity to serve these

higher volume markets, potentially decreasing service and increasing rates for other markets. However, while the pandemic-era supply chain backlogs were temporary, such shifts in capacity and traffic caused by USTR's proposal risk becoming the new normal.

Greater uncertainty and congestion of supply chains will have widespread impacts across business sectors. The proposal would likely result in price increases for things American consumers rely on, including groceries, energy, automobiles, and other manufactured goods that rely on robust trade, while hurting businesses and manufacturers throughout the country.

USTR's Proposal Is Unrealistic on Timelines for Building New U.S. Commercial Vessels

USTR assumes that its fees would help create a robust U.S. shipbuilding industry capable of carrying 5-15% of U.S. exports within 7 years. There are many factors that make such a short timeline challenging at best, and perhaps unrealistic.

In 2023, there were over 106,000 oceangoing commercial vessels serving ports worldwide. Only 177 of those vessels are U.S.-flagged.[5] In fact, from 2010-2023 only eight commercial ships were built within the U.S. by three commercial shipyards. Cost is another important factor. The cost of building a ship in the United States is currently 143% higher than in China, and more than 50% higher than in South Korea.[6]

Typical commercial vessels take at least three years to complete[7] and have an operating life of roughly 25 years, though some vessels see reduced operations after only 15 years. Vessels entering fleets in 2025 were ordered in 2021-2022. If current orders are canceled now, there would be a reduction in overall shipping capacity in 2028-2029, when older ships would need to be retired. Existing shipyards would not immediately be able to absorb new orders, creating a reduction in capacity from which it would take several years recover.

At the same time, swapping out existing vessels or orders of new vessels for U.S.-flagged vessels, should they be available, would reduce network capacity and lead to a less-competitive cost structure. Fewer ships available for use at U.S. ports means shipping rates would increase. Current American-built ships are smaller than those from China, and therefore they offer less capacity—meaning fewer customers can use a vessel. Demand for container capacity on smaller ships would also drive shipping costs up.

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[5] https://www.forbes.com/sites/lorenthompson/2024/02/08/the-us-commercial-ship-industry-has-collapsed-fallout-for-national-security-could-follow/

[6] https://www.wsj.com/business/logistics/in-shipbuilding-the-u-s-is-tiny-and-rusty-03fb214e

[7] https://www.nytimes.com/interactive/2020/06/17/business/economy/how-container-ships-are-built.html

Bottom line, USTR's proposal fails to fully consider the realities of the shipbuilding industry and applies questionable assumptions of how its proposed fees would help spur the growth of U.S. shipbuilding capacity.

Alternative Approaches

Addressing China's growing maritime influence and building a more resilient maritime industry that serves U.S. interests are critical objectives that require a long-term, coordinated effort involving a variety of stakeholders and allies. In the near term, the Administration should consider opportunities to work with like-minded allies to reduce China's dominance by promoting ships and equipment made by those allies serving U.S. shipping routes. The U.S. could also look for ways to incentivize shipbuilding through trade facilitation-centric agreements that move materials tariff-free or develop an integrated North American shipbuilding sector, utilizing assets from neighboring countries that build on the defense industrial base.

To address the desire for greater U.S. shipbuilding capacity, multifaceted approaches are needed that include modernizing shipyards, workforce development, and strategic alliances. This requires a comprehensive legislative approach driven by the Administration and Congress with support from affected industries and other stakeholders. Significant bipartisan policy has been developed in the past to address deficiencies in strategic industries and drive growth in those sectors. A legislative mechanism that incorporates long-term investment strategies for commercial shipping, workforce development, and equipment infrastructure—in addition to maritime security—would be a welcome start.

Conclusion

The Chamber appreciates the opportunity to submit these comments for review by USTR. We support the Administration's goal to address unfair trade practices and reinvigorate the U.S. shipbuilding industry and we would welcome the opportunity to work with the Administration on a long-term strategy that supports these goals. However, USTR's proposal fails to offer real and effective remedies and instead retroactively punishes ocean carriers and U.S. businesses for utilizing today's existing fleet without doing anything to materially address the issue at the heart of this investigation. We welcome an opportunity to work with you to develop a successful approach to the Administration's worthy goals.

Sincerely,

John Drake
Vice President
Transportation, Infrastructure, and Supply Chain Policy
U.S. Chamber of Commerce