International Chamber of Shipping
Walsingham House
35 Seething Lane
London
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The Honorable Jamieson Greer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508
USA

Dear Ambassador Greer,

RE: REQUEST FOR COMMENTS CONCERNING PROPOSED ACTION PURSUANT TO THE SECTION 301 INVESTIGATION OF CHINA'S TARGETING OF THE MARITIME, LOGISTICS, AND SHIPBUILDING SECTORS FOR DOMINANCE. DOCKET ID: USTR-2025-0002

I am writing as Secretary General of the International Chamber of Shipping (ICS), the principal global trade association representing shipowners and operators, which enjoys close relations with MARAD, the State Department and the United States Coast Guard.

ICS membership comprises national shipowners' associations in the Americas, Asia, Africa and Europe, in more than 40 countries including the Chamber of Shipping of America which represents U.S. shipowners and operators. Around 90% of global trade is transported by sea, and ICS represents over 80% of the world merchant fleet. Our member national associations' members comprise shipping companies from all sectors and trades, including dry bulk carriers (transporting iron ore, coal and grain), oil tankers, chemical tankers, gas carriers, containerships, roll-on roll-off vessels, general cargo ships, offshore service vessels, and passenger ships; all vessel types which service the U.S.' international trade, carrying approximately 59% of total U.S. imports/exports by value ($2.2 trillion; $746 billion of exports and $1.4 trillion imports)[1] including vital components, raw materials and minerals needed for the manufacture of U.S. goods for domestic and export markets.

ICS welcomes President Trump's initiative to increase U.S. shipbuilding capacity as additional commercial tonnage strengthens the global maritime sector's efficiency and competitiveness. ICS commits to working with USTR and the White House Shipbuilding Office to help ensure that practicable policies are developed and implemented, which can deliver on the President's ambitious vision for U.S.

[1] *International Freight Gateway*, Bureau of Transportation Statistics, U.S. Department of Transport, available at: https://data.bts.gov/stories/s/International-Freight-Gateways/4s7k-yxvu/

shipbuilding. ICS supports this vision and believes that the U.S. is especially well-placed to build on its unique strength and expertise in developing new technologies which are forecast to be needed for the industry, for example, through the use of artificial intelligence on board ships which will enable operational efficiencies and costs savings, whilst optimizing maritime supply chains and strengthening resilience.

This notwithstanding, I am grateful for the opportunity to communicate the considered reflections of shipping companies worldwide which service the U.S., on the potential unintended consequences that could result from the actions currently proposed by USTR and to suggest exploring alternative actions to help strengthen U.S. shipbuilding.

Executive Summary

While ICS acknowledges the USTR's important and pressing responsibility to respond to the Section 301 investigation outcomes and consider potential remedies to the findings, the proposed remedies, as currently constituted, may not achieve these objectives, for the following reasons which are elaborated on below:

- Imposing the proposed service fees could damage US export competitiveness and raise costs for U.S. businesses and consumers
- The proposed actions will not strengthen U.S. domestic shipbuilding
- The proposed service fees on ships already built or ordered would not disincentivize or eliminate Chinese acts, policies or practices, and therefore would not be aligned with Section 301 remedies

The information and examples provided below relate to some segments of the global shipping industry, however, the potential impacts of the proposed remedies extend to many other segments which serve U.S. trade.

Imposing the proposed service fees could damage US export competitiveness and raise costs for U.S. businesses and consumers

According to preliminary findings from Trade Partnership Worldwide LLC analysis, the proposed remedies could have an overall net negative impact on the U.S. economy, and every proposed remedy could result in a decline in U.S. exports, potentially contributing to a worsening of the U.S. trade deficit.[2]

In 2024, the proportion of internationally trading ships calling at U.S. ports that fall within the maximum potential scope of the proposed service fees, were equivalent to 83% of containerships, 44% of bulk carriers, 68% of car carriers, 46% of chemical tankers, 34% of LPG carriers and 23% of LNG carriers.[3]

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[2] Trade Partnership Worldwide LLC, *The Economic Effects of Proposed Action in the Section 301 Investigation of China's Maritime, Logistics, and Shipbuilding Policies and Practices*, March 2025.
[3] Clarksons Research Services.

If the service fees are applied at the very high levels proposed, it would be unfeasible or impossible for many operators to immediately replace Chinese-built vessels with non-Chinese built vessels, thus the cost of calling at U.S. ports would increase drastically, and vessel operators would likely significantly reduce or cease calling at U.S. ports. This could lead to a decline in available tonnage to serve U.S. imports and exports, and for those operators that continue to call at the U.S., these costs would be passed onto U.S. consumers and customers, as is normal practice in the industry when such unforeseen, exceptional and exorbitant costs are incurred.

Furthermore, due to the interdependence of U.S. exports with the international shipping industry, the proposed service fees could also significantly raise the cost for U.S. businesses looking to export U.S. goods to foreign markets, due in part to the increased cost of importing those raw materials and components which are used to manufacturer high value U.S. products for export. The proposed service fees could in some cases, significantly disrupt or cease U.S. production and trade of certain commodities and goods which underpin the U.S. economy and jobs.

The U.S. exports 308.7 million tonnes of dry bulk cargo annually, led by coal (90.6 million tonnes), grains (83.6 million tonnes) and soybeans (42.8 million tonnes).[4] Based on our understanding of the proposed remedies, as currently constituted, the proposed service fees could equate to a very high proportion of spot freight rates for bulk commodity transport, or in some cases, exceed the current freight rate, meaning transport costs out of the US could more than double.[5] This could have significant implications for U.S. agricultural and energy exports, and the competitiveness of these U.S. products in foreign markets.

Agricultural commodity exports

According to the U.S. Department of Agriculture, the U.S. exports around $180 billion of agricultural goods per year. In 2024, 58% of U.S. waterborne agricultural trade was moved on bulk carriers and 42% on containerships[6].

Economic analysis by Trade Partnership Worldwide forecasts dramatic drops in U.S. exports of wheat (64%), rice (50%) and soybeans (42%) if all of the proposed remedies are imposed, and before carriers have had time to make any adjustments to their usage of affected vessels (if they choose to do so).[7] If the proposed remedies are introduced, U.S. agricultural exporters could lose competitiveness to exporters in Brazil, Canada and Australia.[7]

Soybeans are the top U.S. agricultural export by value, with over 50% of the domestic soybean crop exported to global markets annually.[8] The U.S. relies on

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[4] Banchero Costa Research, March 2025.
[5] Lloyd's List Intelligence.
[6] United States Department of Agriculture, Agricultural Marketing Service, 'U.S. Agricultural Port Profiles', accessible at: U.S. Agricultural Port Profiles | Open Ag Transport Data
[7] Trade Partnership Worldwide LLC, *The Economic Effects of Proposed Action in the Section 301 Investigation of China's Maritime, Logistics, and Shipbuilding Policies and Practices*, March 2025.
[8] American Soybean Association, 2024.

continued access to existing and new markets to sustain domestic soybean producers' prosperity. International maritime trade is therefore one of the pillars of the U.S. soybean industry. According to Banchero Costa analysis, if U.S. soybeans can only be carried by Japanese or South Korean built bulk carriers, freight rates can be expected to increase to $100,000-200,000 per day, at a time when U.S. soybean producers are already facing increased competition from South American farmers in Argentina and Brazil.

For U.S. farmers, an efficient transportation system is vital, with ocean shipping costs being a critical factor in sustaining their prosperity.[9] If they are forced to limit the sale of their crops primarily to U.S. consumers, this could have severe impacts on the price of domestic produce, making it uneconomical to grow crops, and potentially exposing the U.S. to food security issues. Overall, the proposed remedies could risk a 15-16% decline in farm household income.[10]

Energy commodity exports

The U.S. is the world's largest LNG exporter, with 55% of exports to Europe, 34% to Asia and 11% to Latin America.[11] Approximately 23% of internationally trading LNG carriers calling at U.S. ports would fall within the scope of the proposed service fees[12], posing significant risks to these U.S. LNG exports if the proposals take effect, and undermining the potential success of the Presidential actions announced in the Executive Order 'Unleashing American Energy' signed on 20 January 2025.

Additionally, tanker brokers have reported that almost every major tanker owner has Chinese-built vessels in their fleet, and 76% of Very Large Crude Carriers (VLCC) are currently on order from Chinese shipyards[13], posing a real risk of increases to gasoline prices for U.S. consumers if the proposed high level of service fees are implemented. An additional $500,000 to $1.5 million of fees per voyage would add an additional cost of between $7 and $21 per tonne for Aframax vessels impacted by the proposed fees.[14] For Aframax shipments from the U.S. Gulf to Mediterranean (TD25), an extra $7 per tonne would make U.S. crude oil considerably less attractive to European refiners compared to alternatives from Latin America, West Africa, North Sea or Middle East Gulf.[14]

Chemical exports account for around 10% of total U.S. exports, with a value of $165 billion.[15] An additional $1.5 million proposed service fee per port call, could increase freight costs for monoethylene glycol (MEG) and ethanol by 170-228%, raising

[9] CME Group.
[10] Trade Partnership Worldwide LLC, *The Economic Effects of Proposed Action in the Section 301 Investigation of China's Maritime, Logistics, and Shipbuilding Policies and Practices*, March 2025.
[11] London Stock Exchange Group.
[12] Clarksons Research Services.
[13] Tankers International.
[14] Braemar.
[15] American Chemistry Council.

underlying chemical prices by as much as 33-37%.[16] The proposed fees risk U.S. chemical exports losing their market share to China.

According to the Baltic Exchange, the current spot rate for LPG from the U.S. Gulf to China is $90.50 per tonne, based on a 44,000-tonne cargo, or $4 million for the whole cargo. A $500,000 service fee would be 13% of freight for LPG carriers, and a $1 million service fee would be 25% of freight.[17] This could push Asian buyers of U.S. LPG towards cargoes sourced in the Middle East.

Economic analysis by Trade Partnership Worldwide forecasts overall declines in coal, oil, gas and petroleum exports and output, if any or all the proposed remedies are imposed.[18]

Impact on U.S. shortsea trades

The effects of the proposed service fees on shortsea shipping trade would be substantially higher, given the shorter and more frequent voyages between the U.S. and its closest trading partners. The costs imposed on these regional trades could increase by between 100% to 500%[16], essentially cutting off the U.S. from critical supplies required for manufacturing, mining and construction, in addition to consumers relying on these movements between the U.S. and neighbouring countries such as Canada and Mexico.

Freight rates for dry bulk trade on the Great Lakes between the U.S. and Canada generally range between $5 and $20 per tonne, for the movement of commodities such as iron ore, de-icing salt, construction aggregates, coal and grain. Given the typical cargo size of these transportations, the proposed $1 million service fee could add between $30 to $50 per tonne to the freight rate.[16] Many of these shortsea routes support millions of tonnes of freight trade and would burden individual U.S. cities, counties, mines, mills, plants and processors with an additional cost of between $10 million to $100 million each, per year.[16] These exorbitant costs are unfeasible for operators and the wider supply chain to absorb, meaning freight transport along these shortsea routes could cease, and U.S. production of key products could face closure, harming U.S. citizens and communities.

The same consequences would be in store for shortsea coastal transportation of cement, road salt, construction aggregates, petroleum products, coal, gypsum, bauxite, iron ore and other products and minerals moved between neighbouring countries and U.S. states such as Florida and Louisiana, and all the way up the Eastern and Western seaboards.

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[16] Industry estimates.
[17] Lloyds List Intelligence.
[18] Trade Partnership Worldwide LLC, *The Economic Effects of Proposed Action in the Section 301 Investigation of China's Maritime, Logistics, and Shipbuilding Policies and Practices*, March 2025.

Impacts on containerised imports and exports

On the container side, U.S. exports will also be heavily impacted. The proposed actions would impact 98% of internationally trading liner ships that call at U.S. ports.[19] Seven of the top ten container liner company groups have vessels on order from China, therefore while some reorganization and substitution may be possible to avoid exposure to fees, it would be impossible for container liners to avoid the disproportionately high fees proposed, and costs would be passed on to U.S. charterers and consumers.[20]

The proposed service fees could add $600-800 per container, potentially doubling the freight cost of U.S. exports.[19] Container vessels servicing the U.S. typically call at three to four U.S. ports per trip, and per port call fees of $1 to $3.5 million would add millions in cost to each voyage.[19]

Wider impacts and considerations

Based on the assumption that the proposed service fees will apply to each port call on a voyage, this will almost certainly force vessel operators, especially those operating container lines, to reduce service of U.S. ports, resulting in fewer U.S. port calls especially to small and medium sized ports. We understand that U.S. port authorities have expressed concerns about the potential impact of the proposed fees on port congestion at larger U.S. ports, cargo volumes and jobs, including the disproportionate impact on medium to smaller ports. The additional costs from the proposed service fees would significantly impact the margins of U.S. shipowners which could raise concerns about the availability of funding for training (including seafarer and port safety training). This has the potential to increase the risk of safety and environmental incidents and reduce demand for U.S. crew.

Full market impact assessment

To safeguard the U.S. from significant risk, we suggest that a full market impact assessment is undertaken to assess the breadth and level of impact the proposed remedies could have on U.S. commerce and maritime supply chains, and a range of communities across the U.S. We also recommend developing a comprehensive methodology which considers this assessment, and addresses some of the ambiguities in the current proposed remedies. For example, depending on the definition of an ‘operator’, which is not clear in the Federal Register Notice, and the language contained in various charterparty agreements, the impact of these proposed actions could be vast.

The unintended consequences of raising costs for U.S. exporters, ports and consumers in this way would not seem to justify the stated aim of the proposed action plan to increase U.S. shipbuilding capacity and competitiveness.

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[19] World Shipping Council.
[20] Clarksons Research Services.

The proposed actions will not strengthen U.S. domestic shipbuilding

As of February 2025, China's current shipyard orderbook accounts for 61% of new merchant vessels on order globally, including 73% of containerships, 71% of tankers, 69% of bulk carriers, 30% of LNG carriers and 84% of car carriers, while U.S. built ships equate to 0.4% of new merchant vessels on order globally. [21]

A single vessel takes approximately 2.5 to 3 years to build and, due to the increasing complexity of ship designs, lead times at shipyards today are lengthening.[22] Since 2022, average delivery times are approaching 3 years for tankers and containerships, and 4 years for LNG carriers.[23]

The average cost of a U.S. built ship can be four or more times higher than a foreign built ship[24], and the average cost of operating a U.S. flagged ship is 2.7 times higher than a foreign flagged ship.[25] It is expected that the costs for building chemical tankers in the U.S. could be even higher and is currently estimated at $275 million compared to $46 million in China, Japan and Korea, with lead-times from contract to delivery in excess of 10 years[26].

Even in the absence of China's current dominance of the shipbuilding industry, and assuming significantly increased investment in U.S. yards, without consideration of alternative actions it would probably take very many years for U.S. shipbuilding to have the capacity to construct the new generation of technologically advanced ships necessary to fill the vacuum to serve the U.S.' economic and security needs, and meet the targets for transportation for U.S. goods on U.S. vessels out in the Federal Register Notice.

Consideration of alternative actions

To accelerate the process of meeting these goals, alternative options could be considered to more efficiently enhance U.S. shipbuilding including tax credits for shipowners who build vessels in the U.S., public-private partnership to modernize U.S. shipyards, and investment in new technologies to enhance the competitiveness of U.S. built ships.

[21] Clarksons Research Services.
[22] The Asian Journal of Shipping and Logistics, *Containership new-building orders and freight rate shocks: A "wait and see" perspective*, Volume 39, Issue 1, March 2023, Pages 30-37.
[23] AXSMarine data, November 2024.
[24] Trade Partnership Worldwide LLC, *The Economic Effects of Proposed Action in the Section 301 Investigation of China's Maritime, Logistics, and Shipbuilding Policies and Practices*, March 2025.
[25] U.S. Maritime Administration study cited by John Frittelli, *Shipping Under the Jones Act: Legislative and Regulatory Background*, Congressional Research Service, CRS. Report R45725, November 21. 2019.
[26] Industry estimates.

Proposed service fees on ships already built or ordered would not disincentivize or eliminate Chinese acts, policies or practices, therefore would not be aligned with goal of Section 301 remedies

China accounts for only 13.3% of the beneficial ownership of the global merchant fleet in terms of carrying capacity in deadweight tonnes, with beneficial ownership defined as the economy in which vessels' beneficial owners are located. Meanwhile, at least 35% of the world's merchant fleet currently serving international and U.S. maritime trade routes, while built in China, is owned and operated by companies locating in U.S. trading partners outside of China.[27]

Leveraging service fees on vessels already built in, or on order from Chinese shipyards, which call at U.S. ports, but which are mostly owned and operated by U.S. trading partners outside of China, will not act to disincentivize or eliminate Chinese subsidisation of shipbuilding costs. Imposing a fee against vessels already constructed and operating in global shipping trades which serve the U.S. market and U.S. businesses and consumers, would have no impact on the financing structure of Chinese shipyards. The same applies to imposing a fee on those vessels which are under construction to which non-Chinese shipowners have already committed payment, both of which will have no nexus to China once delivered.

A service fee leveraged against a vessel which is already built or in construction under contract, may, at best, fail to disincentivize or eliminate alleged Chinese acts, policies or practices and, at worst, severely disrupt U.S. maritime supply chains and actively hinder U.S. market access to vessel types vital to maintaining its energy and economic security.

The market for ships is highly liquid and cost optimized. If the proposed service fees are imposed, they could not only increase the costs of chartering Chinese-built ships, but non-Chinese built ships as well, given the resulting shortage of these vessels and a sharp increase in demand. This could raise the cost of exports and inflate costs along the entire supply chain and for the end-consumer. Given most vessels take a minimum 2.5 to 3 years to build, and the extensive time it would take to scale non-Chinese shipbuilding capacity to lower these costs, this could mean an extended period of higher fees for businesses exporting and importing U.S. goods, ultimately failing to achieve the objective of the proposed remedies.

The proposed remedies may also result in newbuilt vessels remaining under Chinese control and operation, rather than delivered to shipowners around the world, thus enhancing China's dominance in the maritime sector.

[27] UNCTADStat, Merchant fleet by country of beneficial ownership, annual, July 2024 - accessible at: FleetBeneficialOwners

Conclusion

ICS welcomes President Trump's initiative to increase U.S. shipbuilding capacity, which will strengthen capacity the global maritime sector's efficiency and competitiveness. However, we are concerned that the proposals as currently constituted, could cause significant damage to U.S. imports/exports and consumers, and the U.S' trading partner economies, which the international shipping industry also exists to serve.

ICS therefore commits to working with USTR and the White House Shipbuilding Office to help ensure that practicable policies are developed and implemented, which can deliver on the President's ambitious vision for U.S. shipbuilding, without harming U.S. industries and consumers.

We remain at your disposal for further clarification of the above and will be attending the public hearing taking place on 24 March.

Yours sincerely,

Mr Guy Platten
Secretary General
International Chamber of Shipping