

China Shipbuilding-Industry and Shippers Prepare for Tariffs

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Domestic U.S. shipping interests are closely monitoring a United States Trade Representative (USTR) proposal for import and export trades involving Chinese vessels. There is a Section 301 investigation prompted by domestic industry concerns about China's industrial ambitions in sectors critical to U.S. economic and national security. The outsized role of China in international ocean shipping is greater than many would expect. China's global tonnage of shipbuilding market share grew from less than 5% in 1999 to over 50% in 2023. China owns over 19% of the commercial world fleet, controls production of approximately 95% of the world's shipping containers, and 85% of the world's intermodal chassis.

Extraordinary service fees and restrictions are anticipated to have a near-term effect of escalating certain ocean shipping costs. Commercial users of those services including cargo owners and the NVOCC intermediaries they use are widely expected to shoulder the cost through higher rates charged by vessel operators and through the net restriction in global shipping capacity.

China Shipbuilding Strategy Under Review

Five labor unions petitioned for this investigation on March 12, 2024, alleging that China exerts unreasonable and discriminatory policies that provide an unfair advantage across maritime industries. The USTR initiated investigation on April 17 of that year. In a report issued on January 16, 2025, the USTR determined that China's objective of dominating the maritime, logistics, and shipbuilding sectors represents an unreasonable risk to United States commerce. This is understood by the USTR as part of the China's Military-Civil Fusion strategy. The country's initiative will increase supply chain risk and reduce resiliency, deprive market-oriented businesses from opportunities, and allow for extraordinary control over these vital sectors.

The USTR found on April 17, 2025, that China has indeed methodically targeted the maritime, logistics, and shipbuilding sectors for global dominance over 30 years. The initiative included a series of overlapping national strategies such as its Five-Year Plans and the "Made in China 2025" initiative, as well as sector-specific policies to achieve its objectives. China is understood to have implemented top-down plans to gain global share in the sector through non-market advantages, such as direct and indirect state subsidies; preferential access to land, credit, and raw materials; suppressed labor costs and lack of effective labor rights; state-directed mergers and restructuring to create "national champions;" and export incentives and market access barriers to foreign competitors.

The USTR determined that these interventions enabled Chinese firms to undercut global competition, seize market share, and set the terms across the global maritime industry and supply

chains. Moreover, China's targeting of the maritime industry has had profound and adverse effects on U.S. interests, including:

- **Displacement of U.S. Firms:** As China's share of global shipbuilding and logistics markets has grown, U.S. companies have lost market access, commercial opportunities, and investment returns.
- **Reduced Competition:** China's global overcapacity has impacted U.S. businesses and workers by depriving fair competition and commercial opportunities.
- **Supply Chain Vulnerabilities:** Increased dependency on Chinese-built ships, marine equipment, and logistics infrastructure has created economic security risks and undermined U.S. supply chain resilience.

Early Proposed Fees and Restrictions Very High

Market stakeholders expressed widespread concern about the initial proposal for tariffs and other restrictions on Chinese interests in the U.S. trades. The USTR initially proposed significant service fees on certain maritime services as well as other industry restrictions in response to these identified threats. For example, Chinese vessel operators would be charged up to \$1 million per entrance of any vessel at a U.S. port or \$1,000 per net ton of vessel capacity. Vessel operators would be charged up to \$1.5 million per entrance of any vessel at a U.S. port based on a tiered schedule for the percentage of Chinese-built vessels in their global fleets. Exports of U.S. goods are restricted to U.S.-flagged, U.S.-built vessels by U.S. operators under a seven-year escalation plan. Exceptions may be granted for vessels not built in the U.S. if it can be shown that over 20% of U.S. products per year are transported on U.S.-flagged, U.S.-built vessels.

Newly Proposed Fees and Restrictions

In response to its findings in April of this year, the USTR announced the initiation of a rulemaking process for robust remedial measures that may include:

- Imposing additional tariffs on Chinese ships, marine equipment, and related logistics service.
- Importing restrictions on Chinese-built vessels and maritime services.
- Enhanced scrutiny of Chinese investments in U.S. maritime and logistics sectors.
- Supporting domestic industry through federal investment and incentives for U.S. shipbuilding and logistics firms.

The tariff burden for vessel owners and operators has gained the greatest attention from clients and commentators. This new proposal will impose tariffs in two phases. The first phase is intended to begin on October 14, 2025. Chinese vessel owners and operators would pay \$50 per net ton landed at U.S. ports, which escalates every year until reaching \$140 per net ton in 2028. All other vessel operators of Chinese-built vessels would pay the higher of \$120 per container or \$18 per net ton landed at U.S. ports, which escalates every year until reaching \$250 per container or \$250 per net ton in 2028. The second phase is intended to begin on April 17, 2028. Total LNG exports on U.S.

flagged, U.S. built, and U.S. operated vessels must meet 1% of all utilized vessels, which steadily escalates to 15% in 2047.

Considerations for U.S. Businesses and Stakeholders

The USTR's newly proposed rule is more targeted in its application and timeline than earlier proposals. The possibility for cost impacts on the U.S. trades is nonetheless real because Chinese-made vessels and operators hold a significant share of the global shipping market. Beneficial cargo owners and non-vessel operating common carriers must take notice. At face value, service contracts and spot rates could see a \$250 per container increase within three years due to this action alone. Longer term, a reinvigorated maritime industrial base in the U.S. and a diversified fleet across steamship lines may yield economic and strategic advantage for domestic stakeholders. The potential for retaliatory and countermeasure efforts from China is also real and could negatively impact U.S. trades as well as overseas operations.

One thing is certain: This action marks a decisive shift in U.S. trade policy, reflecting a broader strategic effort to confront systemic practices in the maritime sector. The Benesch team is closely monitoring USTR developments from the perspective of our broad experience in ocean contracting, counseling shippers and intermediaries, and developing trade and compliance strategies that can help stakeholders reduce their net exposure and lessen the effect of supply chain disruptions.

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