CLIENT ALERTS & INSIGHTS

New China Shipbuilding Tariff - Comments Due Next Week

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Newly proposed tariffs and restrictions on China's maritime, logistics, and shipbuilding practices were issued on April 17, 2025. The United States Trade Representative's ("USTR") Section 301 investigation found China holds an unfair advantage in the sector that harms U.S. companies, workers, and the economy by reducing competition, costing opportunities, and creating supply chain risk. The USTR's proposal seeks to restore the U.S. maritime industrial base but is also viewed by many as a potential near-term cost driver in the U.S. container and break-bulk trades. Public comments are due by May 19, 2025.

This Section 301 investigation was prompted by domestic industry concerns about China's industrial ambitions in sectors that are critical to U.S. economic and national security. The USTR found that China methodically targeted the maritime, logistics, and shipbuilding sectors for global dominance over the past thirty years. The initiative included a series of overlapping national strategies such as its Five-Year Plans, 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; and

- **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.

Additional background on the basis for this investigation and the perceived harm is available in our earlier client bulletin available HERE.

USTR's New Proposed Remedies

In response to its findings in April, 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; and
- 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. built, U.S. flagged, 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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