EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE U.S. TRADE REPRESENTATIVE

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SECTION 301 INVESTIGATION: CHINA'S ACTS, POLICIES, AND PRACTICES TARGETING THE MARITIME, LOGISTICS, AND SHIPBUILDING SECTORS FOR DOMINANCE

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WEDNESDAY
MAY 29, 2024

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The Public Hearing convened at the U.S. International Trade Commission, 500 E Street SW, Washington, DC, at 10:00 a.m. EDT, Megan Grimball, Arthur Tsao, and Philip Butler, Panel Chairs, presiding.

PRESENT
PHILIP BUTLER, USTR, Panel Chair
MEGAN GRIMBALL, USTR, Panel Chair
ARTHUR TSAO, USTR, Panel Chair
THOMAS AU, USTR
HENRY SMITH, USTR
WILLIAM (STU) HUFFMAN, Department of State
VY NGUYEN, Department of the Treasury
TOBIAS REYNOLDS, Department of Commerce
REBECCA VALENTINE, Department of Justice
SONJA SCHAEFER, Department of Labor
DANIEL KOZUB, Department of Transportation
TANVI MADHUSUDANAN, Department of Energy
TYLER HUBLER, Department of Agriculture
KEVIN McCAFFREY, Department of Homeland Security
AHDIA BAVARI, DHS/Customs and Border Protection
MIKE AYALA, DHS/Customs and Border Protection

WITNESSES PRESENT
TAMMY BALDWIN, United States Senator, Wisconsin
DEBBIE DINGELL, U.S. Representative, Michigan's 6th Congressional District
DAVID McCALL, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO CLC
DAVE SULLIVAN, International Association of Machinists and Aerospace Workers
MARK CLEMENTS, Maritime Trade Dept, AFL-CIO
CECILE CONROY, International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, AFL-CIO/CLC
RILEY OHLSON, AFL-CIO
MAGUESSA MOREL, Ontario Marine Council
JOE KRAMEK, World Shipping Council
XIA CHENPENG, China Association of the National Shipbuilding Industry
ZHANG SHOUGUO, China Shipowners' Association
DONGKE YU, China Chamber of Commerce for Import and Export of Machinery and Electronic Products
SCOTT PAUL, Alliance for American Manufacturing
PATRICK BLOOM, Cleveland-Cliffs Inc.
PETER YOUNG, Delegation of the European Union to the United States
THOMAS SHUGART, Center for a New American Security
JEFFREY KUCIK, The Wilson Center

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P-R-O-C-E-E-D-I-N-G-S

(10:08 a.m.)

CHAIR GRIMBALL: Good morning, and welcome.

The Office of the United States Trade Representative, in conjunction with the Inter-Agency Section 301 Committee, is holding this public hearing in connection with the Section 301 investigation of China's Acts, Policies, and Practices Targeting the Maritime, Logistics, and Shipbuilding Sectors for dominance.

On March 12th, 2024, five labor unions filed a Section 301 petition regarding the acts, policies, and practices of China to dominate the maritime, logistics, and shipbuilding sector. The petition was filed pursuant to Section 302(a)(1) of the Trade Act of 1974, and requests action pursuant to Section 301(b) of the Trade Act.

The petition alleges that China targets the maritime, logistics, and shipbuilding sector for dominance and engages in a wide range of unreasonable or discriminatory acts.

MR. BURCH: Could you please pull your mike a little closer?

CHAIR GRIMBALL: Sure.

The petition alleges that China targets the maritime, logistics, and shipbuilding sector for dominance and engages in a wide range of unreasonable or discriminatory acts, policies, and practices that provide unfair advantages across maritime industries, such as shipbuilding, shipping, and maritime equipment.

The full petition is available on the USTR website under the Section 301 investigations tab.

The United States Trade Representative initiated this investigation on April 17th, 2024, in the Federal Register Notice published on April 22nd, 2024, announcing the initiation. USTR also invited written comments and announced this hearing.

The April 22nd notice invited comment on a number of issues going to the question of whether the issues raised in the petition are actionable under the statute.

Actionable matters under Section 301 include acts, policies, and practices of a foreign country that are unreasonable and discriminatory and burden or restrict U.S. commerce.

In addition to the questions on actionability, USTR requested comments on China's efforts to dominate the global maritime, logistics, and shipbuilding sectors, including the upstream and downstream supply chain, as well as shipping services, and information on other acts, policies, and practices of China relating to the maritime, logistics, and shipbuilding sectors.

The April 22nd notice is available on the USTR webpage under the Section 301 investigations tab and is published in the Federal Register at 80 Fed. Reg. 29424.

The purpose of today's hearing is to receive public testimony regarding the issues raised in the April 22nd notice and in the petition. The Section 301 Committee will carefully consider today's testimony, all written comments in response to the Federal Register notice, including post-hearing rebuttal comments.

All written comments, including post-hearing comments, are due June 5th, 2024.

Now, we note that a number of written comments and testimony discuss the issue of potential remedies. However, I want to reiterate that the purpose of this hearing is to receive comments on actionability, that is, whether the acts, policies, and practices are unreasonable or discriminatory, and burden or restrict commerce.

The question of possible remedy is a separate and later inquiry.

After the Section 301 Committee has completed its work, the committee will make a recommendation to the trade representative on whether the acts, policies, and practices are actionable under the statute. Specifically, if it is determined under the statute that the acts, policies, and practices are actionable, the U.S. Trade Representative will determine whether action is appropriate and, if so, what action to take under Section 304 of the Trade Act, which would involve an additional notice and comment period.

We are pleased to be joined this morning by international trade and economic experts from a range of U.S. Government departments and agencies.

If you would please introduce yourselves.

MR. REYNOLDS: Tobias Reynolds, Department of Commerce.

MR. McCAFFREY: Kevin McCaffrey, Department of Homeland Security.

MS. SCHAEFER: Sonja Schaefer, Department of Labor.

MR. AU: Thomas Au, Office of the U.S. Trade Representative.

MR. HUBLER: Tyler Hubler, U.S. Department of Agriculture.

MR. MADHUSUDANAN: Tanvi Madhusudanan, Department of Energy.

MS. NGUYEN: Vy Nguyen, Department of Treasury.

MR. HUFFMAN: Stu Huffman, Department of State.

CHAIR GRIMBALL: And I'm Megan Grimball, Chair of the Section 301 Committee, USTR.

So, I will begin with procedural and administrative instructions.

The hearing is scheduled for one day, Wednesday, May 29th. The April 22nd notice indicated that post-hearing comments will be due 7 days after the last day of the public hearing. Because this hearing will only last one day, post-hearing comments, again, are due June 5th.

Today, we will have three panels of witnesses with 15 individuals scheduled to testify. The provisional schedule has been posted on the USTR website.

Between the first panel of witnesses,

we will take a break to receive testimony from Senator Baldwin. So, I will announce when we are ready to briefly take a break while we proceed with Panel 1.

We will have a brief break between panels, and we will take a 50-minute lunch around 12:30, from 12:30 to 1:15.

Each witness appearing at the hearing is limited to 5 minutes of oral testimony. When you come to the panel tables, you will see that the green light indicated there on the table indicates that you are able to begin your testimony.

The yellow light means that you have 1 minute left.

And the red light means that you time has expired.

After the testimony from each panel of witnesses, the Section 301 Committee will have an opportunity to ask questions. All questions will be from department agency representatives. There will be no questions accepted from the floor.

Committee representatives will generally direct their questions to one or more specific witnesses.

The rules and procedures for written submissions are set out in the April 22nd Federal Register notice. Given the number of witnesses and the schedule, we request that witnesses when responding to questions be as concise as possible.

We would, likewise, ask witnesses to be understanding if and when the chair asks that a witness conclude a response. In this regard, witnesses should recall that they have a full opportunity to provide more extensive responses in their post-hearing submissions.

No cameras or video or audio recording will be allowed during this hearing.

A written transcript of this hearing will be posted to the USTR website as soon as possible after the conclusion of this hearing.

We are honored to have the participation of several members of Congress in these hearings. As I just mentioned, we will receive testimony from Senator Tammy Baldwin of Wisconsin. And this afternoon, we will receive testimony of Representative Debbie Dingell of Michigan's 6th District.

We also note for the record that we have received written testimony from Representative Donald Norcross of New Jersey's 1st Congressional District, and Representative Joe Courtney of Connecticut's 2nd District.

At this time we are ready to proceed with Panel 1.

MR. BURCH: We ask that all members of Panel 1 make their way forward to the front.

And if I may, Madam Chair, it is a large audience and everyone needs to hear what everyone is saying. Can you please pull your mike up close to speak into it so everyone in the room can hear you.

Thank you.

CHAIR GRIMBALL: Welcome. Mr. McCall, you have the floor.

MR. McCALL: Good morning. My name is David McCall. And I am honored to serve as the International President for the United Steelworkers.

The USW is the largest industrial union in North America, representing workers in both public and private sectors. But it also includes steel, aluminum, other metals, paper, rubber, glass, cement, chemicals, refineries, and of course, shipbuilding and related supply sectors.

The USW joined with other unions in filing this 301 petition to investigate the People's Republic of China's transportation, logistics, and maritime sector because it has in so many other areas cheated. China is cheating again to gain an unfair advantage.

The almost 5,000-page petition offers an inventory of PRC practices which are a part of the Transportation Great Power Strategy. The nature of China's policies and practices goes far beyond subsidies. Although those are enormous and they, on their own, have a devastating impact, it is the entire suite of policies that undermine our overall economic and national security interests.

Roughly 20 years ago China acceded to the World Trade Organization. The proponents of permanent normal trade relations who were acting in good faith thought it would set China on a path to economic reform, political reform, and make them a responsible international stakeholder. Such has not been the case.

China's actions, policies, and practices can no longer be due to simply missteps on a path to western notion of reform. The evidence in our petition supports not only the claims of unreasonable and discriminatory practices that demand action under 301, but they also go to the very heart of our economic and national security interests.

America, indeed the world, witnessed the importance of transportation, logistics, and maritime policies during the pandemic. Before then, we were really background issues that we all mostly took for granted. When you ordered products, they arrived. Of course, major corporations and governments looked at logistics in a more granular fashion, but ownership and control issues were routinely ignored.

The Chinese Communist Party did not ignore these issues. They capitalized on the lack of scrutiny by the rest of the world.

Adam Smith, the patriarch of free trade theology, recognized that maritime issues were one of the few areas where countries should protect their core interests. The CCP recognized that but, apparently, our free trade proponents skipped that chapter in Smith's Wealth of Nations.

So, from dominating shipbuilding to a strategy providing a comprehensive technology package known as logging that allows for insights into every item in a cargo container or in the ship's hold, I worry about the impact of the CCP's policies and the practices on our economic and national security.

But as the International President of the Steelworkers, my first focus is on my members. And I am here today to advocate for their jobs.

The PRC's policies are robbing my members of the opportunity to make the products needed to build, repair, and maintain the commercial vessels needed to transport goods. The ability of the U.S. to compete in the sector has been reduced to a fraction of its former capacity.

Maritime trade is still the backbone of international commerce. And commercial vehicles transport roughly 90 percent of U.S. military goods, so our national security is at risk as well.

My members work across shipbuilding supply chains. They also build military vessels in Newport News. While final ships and some of the equipment they use differ, the defense industrial base is a range of capabilities that are not silos.

Steel is used across shipbuilding, as is aluminum, fiber optics, cabling, engines, wire ropes, valves, and many other products such of which are made by steelworkers.

Our petition seeks the imposition of a docking fee on Chinese-built ships at our ports. It is strategically designed in terms of being tonnage- and age-based. As the petition identities a potential fee of $1 million on the newest and largest Chinese-built ships, we begin to address the harm that has been done and act as leverage to get China to change their policies and act as a deterrent to those who seek to acquire the vessels they build.

Those funds, in addition to other policies, would be used to expand our own capacity to build ships, as well as repairing and maintaining them. With a level playing field, we can compete.

We also have to invest in our workforce. The skills needed aren't siloed. And restoring our workforce capabilities is critical, not only for commercial capabilities, but for military shipbuilding, repair, and maintenance as well.

Our petition is well researched and speaks for itself. I don't think there can be any question about the allegations that Chinese policies and practices are discriminatory and unreasonable. That is a question for the panel.

But, longer term, we must review the relief measures we have offered and decide how to restore the capacity and capabilities that we have -- that have been decimated. Our nation's maritime backbone, national and economic security interests, are what is at issue. The invitation for this investigation puts us on a road to restoring our strength, our power, and our level global competition.

Thank you.

CHAIR GRIMBALL: Thank you, Mr. McCall.

As I mentioned, we are now going to

proceed with testimony from Senator Baldwin, who has joined us in the waiting room via Webex. She will appear on the screen or we will hear her voice. Hello.

SENATOR BALDWIN: Good morning.

CHAIR GRIMBALL: Good morning.

SENATOR BALDWIN: Members of the Committee, thank you for this opportunity.

I come before you today to support the petition filed by the United Steelworkers and other unions under Section 301 of the Trade Act of 1974.

The petition alleges that the People's Republic of China seeks to dominate global maritime, logistics, and shipbuilding sectors, and engages in a wide range of discriminatory acts, policies, and practices that provide unfair advantages across these industries.

As a senator who represents the state of Wisconsin, I will share experiences from my state which I believe will be of use to you in conducting your investigation.

Shipbuilding has a long and proud tradition in the state of Wisconsin. The first shipyards were launched in the 1830s in Milwaukee and Manitowoc, the latter city developing into a major shipbuilding center along with Sturgeon Bay, Wisconsin. The importance of shipbuilding and the maritime industry is reflected in our state's flag which bears both a sailor and an anchor.

The United States has long been a leader in shipbuilding. Following World War II the United States led the world in producing large commercial cargo ships. Wisconsin's Bay Shipbuilding Company, which is now owned by Fincantieri, produced 15 large commercial ships for the Great Lakes, known as Lakers, between the years 1973 and 1981 alone. Many of those are still operating today.

However, since then, Wisconsin has only produced one large commercial ship, the Mark W. Barker, which was built at Bay Ship in Fincantieri -- by Fincantieri and launched in

2022.

Over the last decades, the Chinese share of global shipbuilding has increased dramatically, rising from less than 3 percent in the year 1993 to 47 percent in 2022. Chinese state-owned enterprises and other facilities in the PRC are now capable of producing over 1,000 ocean-going vessels a year, while the United States currently produces fewer than 10.

The export market share of American goods in the shipbuilding industry has also declined. For example, the U.S. used to export tens of millions of dollars' worth of diesel or semi-diesel marine engines to the PRC, peaking at more than 1,500 engines a year in the years 2007 and 2008. As a result of China's unfair trade practices, U.S. manufacturers have exported fewer than 100 marine engines in the last few years.

China's dramatic increase in shipbuilding capacity is the result of a deliberate government-sponsored plan to become the world's largest shipbuilding nation.

A number of policy tools are used to achieve this explicit goal, including preferential sourcing policies, loans from state-owned banks, equity infusions from debt-for-equity swaps, the provision of steel plate from state-owned steel producers at below market prices, tax preferences, grants, and customer financing from state-owned export credit agencies.

Additionally, much of the PRC's advantage rests in part on the PRC's support of its steel sector in general, which has been a subject of ongoing U.S. Government enforcement action. A single commercial ship can require more than 13,000 tons of steel. Because prices for steel in China can be 50 to 60 percent lower than prices in other markets, the prices for container ships built in China can be up to 60 percent below the prices for comparable vessels built in other markets.

When a shipyard loses business or the production of essential parts and those head overseas, we lose good-paying union jobs. But we also lose the knowledge of each tradesman who has found careers and planted roots in our communities. For years, China has gotten away with tilting the playing field. And it is American workers and our national security that are paying the price.

I urge the committee to fully investigate the allegations in the petition and consider all manner of remedies to reverse China's domination of these critical industries.

Thank you so much again for the opportunity to testify before you today.

CHAIR GRIMBALL: Thank you, Senator Baldwin.

And now we will proceed with Panel 1. Mr. Sullivan, you have the floor.

MR. SULLIVAN: Good morning.

My name is David Sullivan. I am the Eastern Territory General Vice President of the Machinists Union. We are known as the International Association of Machinists and

Aerospace Workers, or the IAM.

The IAM represents approximately 600,000 active and retired members across a wide variety of industries, including aerospace, transportation, and shipbuilding. Our members work on the forefront of our nation's industrial base, building critical platforms on which our men and women in uniform rely. They work every day to support the military and commercial shipbuilding sectors, not only in terms of production but also providing critical maintenance and repair services.

As a shipbuilder by trade myself out of Bath Iron Works in Maine, I know firsthand of the critical importance of maintaining and strengthening the U.S. shipbuilding industry and its workforce.

The IAM applauds the U.S. Trade Representative's decision to launch a 301, Section 301 investigation into China's unreasonable and discriminatory acts aimed at control and dominance of the marine maritime, logistics, and shipbuilding sectors. I have seen firsthand the impacts of their unfair policies on U.S. shipbuilding and our vital defense industry base.

Since 2001, the Chinese Communist Party labeled shipbuilding as a strategic industry. And there has been a laundry list of China's unfair, unreasonable, and discriminatory practices, from protecting state-owned shipbuilders with directed mergers and access to low-coast capital, to the provisions of manufacturing inputs at far below market prices, China's shipbuilders, logistics, and maritime industries have been propped up to the detriment off a level playing field in the global markets.

As a result, China has become the world's largest shipbuilder, producing over 1,000 commercial ships, ocean-going vessels per year, while the commercial shipyards build only a handful here in the U.S.

China's merchant fleet has grown from roughly one-twentieth of the world's fleet in early 2000 to one-seventh today, with more than 5,500 merchant ships in service. For context, over that same period, U.S. flag ships, ocean-going vessels decreased by more than half, sitting at less than 100 today.

As the People's Republic of China has employed their decades-long effort to distort and dominate marine sectors, U.S. shipbuilding capacities have been hollowed out and workers have been laid off. Our members are particularly aware of these impacts. They devote their lives to learning and applying highly specialized skills needed to build and repair commercial and critical naval vessels, including the Arleigh Burke-class destroyers and Virginia-class submarines.

As U.S. shipyards close or are left to compete for a mere handful of naval and coast guard contracts, the capacity to meet future ship production needs is further eroded. Without action, this strategically important democratic -- this strategically important domestic industry will be put even further at risk as skilled labor and know-how is lost and supply chains are withered.

As China continues its rise as a naval power, our military leaders and policymakers have urged time and time again that our shipbuilding and maritime capabilities must grow to meet these emerging challenges. However, in the fact of China's non-market policies, our workers, who I can confidently say are the absolute best in the world at what they do, are being forced to compete in a market dominated by CCP-owned firms unburdened by market considerations.

The situation is dire and, without action, it is not expected to improve. The Office of Naval Intelligence estimates that China shipyards have 232 times the production capacity of our domestic capacity.

Our Machinist Union members are ready to build and maintain the twenty-first century naval and commercial fleet. We remain steadfast in our devotion to that goal.

We urge the USTR to conduct a timely and comprehensive Section 301 investigation into China's market-distorting actions in these sectors. Imposition of impactful relief measures significant to address the CCP's extensive and ongoing efforts to restrict U.S. commerce is critical to the long-term health of the domestic shipbuilding industry, as well as the U.S. economic and national security.

I want to thank you and the committee for the opportunity to discuss this vitally important issue here today.

Thank you.

CHAIR GRIMBALL: Thank you.

Mr. Clements, you have the floor.

MR. CLEMENTS: I'm Mark Clements, the Executive Secretary-Treasurer of the Maritime Trades Department, AFL-CIO, or MTD.

The MTD is one of the petitioners that filed for relief under Section 301 of the Trade Act of 1972, as amended, regarding China's acts, policies, and practices targeting the shipbuilding sector for anti-competitive behavior.

The shipbuilding market is dominated by nations with heavily subsidized shipbuilding industries, principally the People's Republic of China. The substantial government involvement in China's shipbuilding sector is not merely for its own sake, however, it is, instead, but a piece of China's larger plans to dominate global maritime commerce as we know it.

China's anti-competitive practices come at the expense of American workers.

The Maritime Trades Department is a constitutionally mandated trade department of the AFL-CIO, representing two million U.S. and Canadian workers within 25 different affiliated unions since its chartering in 1946. The MTD's rank and file membership includes mariners, dockworkers, shipbuilders and breakers, port authority workers, and many others in allied trades.

The MTD's membership in the

shipbuilding sector, including but not limited to the USW and other petitioners, has declined over time as Chinese vessel production has far outstripped that of the United States and all other countries. This has also put pressure on the remaining U.S. commercial shipyards to hire non-union as those employers perceive the costs of a unionized workforce would harm what remains of their ability to be competitive in the global market.

Additionally, China's shipbuilding practices have secondary effects on other aspects of the U.S. maritime workforce. Mariners within MTD's membership have diminished job opportunities due to the small size of the U.S.-flagged international merchant fleet. And MTD union members who produce domestic shipyard equipment such as cranes have also been negatively impacted by China's policies to dominate back-level market.

The USTR should take swift and decisive action to counteract China's unfair and discriminatory acts, policies, and practices to give our domestic shipbuilding industry and workers a chance to compete, to rebuild our shipbuilding base, and further safeguard our national and economic security. USTR should be sure that any relief measures taken will be focused on bringing shipyard jobs back to the United States. Other related jobs will follow.

Thank you.

CHAIR GRIMBALL: Thank you, Mr. Clements.

Now, we will proceed with Ms. Conroy.

MS. CONROY: Good morning. My name is Cecile Conroy. I am the Director of Government Affairs for the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, AFL-CIO. Thank you for holding this important hearing today.

Boilermaker members have served on the front lines of American shipbuilding for generations and have witnessed firsthand the hollowing out of our maritime, logistics, and shipbuilding sectors in the face of unfair foreign competition.

Our members build the finest military, merchant, commercial, and specialty ships in the world, and have stepped up time and time again to meet the infrastructure and national security needs of the American people. We could not be prouder of our work, knowing that our men and women in uniform and everyday American families depend on the ships we build to defend their lives and transport the goods that our livelihoods depend on.

During the Second World War, our members built hundreds of combat ships and transport vessels that ensured our military was able to meet the needs of our nation during wartime. Today, we build submarines, littoral ships, frigates, tankers, dry cargo ships, icebreakers, and tugboats. But due to China's unfair practices, our orders in the United States are languishing and too much capacity has been lost over the past several decades.

Our industry has been hard-pressed in the face of China's unfair and highly discriminatory practices that make it impossible for our workers to compete on anything resembling an even playing field. China has poured hundreds of billions of dollars of state funds into shipyards. Their industry is insulated from market forces, and they utilize state-owned enterprises to provide cheap inputs and cut yard production costs.

Meanwhile, U.S. shipyards have been devastated. The result of China's cheating has largely been a collapse of our maritime capacities and has led to our nation's military leadership to be ringing alarm bells. Tens of thousands of jobs have been lost as shipyards closed, and highly trained expert workers have been forced out of the industrial base.

We are here today calling for action to reverse these trends. The United States needs a healthy and revitalized maritime industry capable of meeting the commercial and defense needs of our nation for years to come. We, the boilermakers, and others, are still enduring the aftershocks from when the Avondale Shipyard in Louisiana was closed in 2014, just ten years ago.

At one time, that yard employed over 26,000 people as one of the top employers in the state of Louisiana. With that closure, the U.S. lost yet another shipyard capable of building, repairing, and maintaining large commercial and specialty vessels. That workforce and capacity loss has yet to be restored.

While workers were laid off and U.S. industries struggled to remain afloat, China was pushing its shipbuilders to new heights. From 2014 to 2022, the world's overall gross tonnage of ships built declined by roughly 12.5 percent, yet China's yards increased their production by over 13 percent, driving up their global market share over that period by yet another 10 percentage points.

While our yards closed, China was pushing a scrap and build program to prop up their shipyards and further incentivize purchasers to buy ships from state-owned yards, while state-owned banks were extending tens of billions of dollars in credit to Chinese shipbuilders.

While our workers were laid off and our capacity and know-how were lost, China's shipbuilders were capturing additional market share and extending their growing domination of the global shipbuilding industry.

Fortunately, the United States has recently turned the page on decades of inaction, working to rebuild our critical infrastructure and strengthen the supply chains critical to the safety and livelihood of the American people. However, a key component of that infrastructure, our shipbuilding, repair, maintenance, and logistics sectors have languished in the face of overwhelming efforts by the Chinese Government to dominate the global maritime industry.

It is time to rectify that. If we have any hope of rebuilding a robust domestic maritime capacity that is ready to meet the economic and national security challenges of the next century, strong, resolute action is needed by our leaders against China's massive market-distorting practices.

We believe that this Section 301 investigation will conclude that China's predatory actions in the logistics, maritime, and shipbuilding sectors demonstrate a clear and unambiguous attempt to dominate global markets to the detriment of American workers, employers, and our national security.

We strongly urge the U.S. Government to implement resolute measures to remedy decades of unfair and discriminatory policies by China that have harmed our members and the economic and national security of the United States.

Thank you for holding this hearing today.

CHAIR GRIMBALL: Thank you, Ms. Conroy.

Mr. Ohlson, you have the floor.

MR. OHLSON: Thank you.

Chairs Grimball and Butler, and members of the Section 301 committee, on behalf of the American Federation of Labor and Congress of Industrial Organizations, thank you for the opportunity to testify on the issue of critical importance to the labor movement and our nation's economic and national security, the impact of the People's Republic of China's policies on U.S. shipbuilding, maritime, and logistics sectors.

My name is Riley Ohlson. I serve as the AFL-CIO's legislative representative for trade and manufacturing policy, and as the staff lead for the Industrial Union Council, which brings together the AFL-CIO's industrial unions to advocate for public policies to restore the health of our supply chains, strengthen our manufacturing base, and grow our middle class.

The AFL-CIO is a federated body of 60 union affiliates representing 12.5 million working people across our country. When a global competitor engages in unfair or predatory trade and economic practices, our union's members are often the first to feel the impact.

Our unions represent workers in shipyards and in steel mills, aluminum smelters, and other factories that supply the industry. They represent mariners who crew U.S. flag vessels, engineers engaged in critical planning and design work, and tradesmen and women who maintain and modernize our fleet.

The Chinese Government policies have hurt workers across these industries.

Shipbuilding jobs, particularly when workers have union representation, are good family and community sustaining jobs. Further, the activity of these shipyards support jobs throughout our economy. By one estimate, each direct job in the industry is associated with another 2.67 jobs in the economy. That makes sense about a third -- That makes sense.

About a third of total industry costs are materials and supplies. Large ocean-going ships require an immense amount of steel, paint, glass, rubber, aluminum, electronics and countless other manufactured inputs, not to mention the logistics of bringing all these products to the shipyard.

Since 2000, world container shipping capacity has grown six-fold, from 4.3 million in twenty-foot equivalent units to 25.8 million in 2022. This should have been a prime opportunity to expand domestic commercial shipbuilding and related supply chains, but our shipbuilding industry has not benefitted from this rapid growth. Instead, U.S. production has fallen while Chinese shipbuilders, fueled by a litany of discriminatory practices have grown from around 5 percent of the global market to capture over 50 percent of world production, and climbing.

This is a direct result of the PRC's aggressive use of unfair and discriminatory tactics designed to distort markets and dominate the global shipbuilding, maritime, and logistics industries.

One study found the PRC provided more

than 130 billion in funding to support its shipbuilding and shipping industries between 2010 and 2018 alone. The Government of China also intervenes by directing mergers that create enormous shipbuilding firms in an industry dominated by economies of scale.

Further, similar non-market practices upstream, like steel and aluminum, create massive over-capacity that drives down input prices.

It's also important to highlight how China systematically violates the labor and human rights of its people. The Chinese Government's repression of independent trade unions and labor advocates allows workplace safety concerns, wage theft, and other violations widely reported by workers across China to persist.

There are also credible reports linking industries like aluminum and steel to state-sponsored forced labor. The PRC's repression of labor unions and use of forced labor are not only egregious violations of international labor and human rights laws and the dignity of working people, but are also a form of unfair competition that suppresses wages and undermines standards.

Taken together, these practices severely impact the ability of our market-based firms to compete on the global stage. In addition to the impact China's policies have on our workers and their communities, they also threaten a key role the commercial industry plays supporting our emergency preparedness and national security. In times of crisis and conflict, commercial ships are critical to the movement of military personnel, supplies, food and fuel.

Unfortunately, the erosion of our shipbuilding base and our U.S. flag fleet puts us in a precarious position. As we saw during the COVID pandemic and in other recent supply chain snarls, you can't just stand up your capacity overnight. You must already have capabilities established to rely on in emergency.

It is deeply concerning that since

2000, the privately-owned ocean-going U.S. flag fleet has more than halved. There are opportunities on the horizon to leverage new demand into economic activities and good jobs at U.S. shipyards. For instance, offshore wind deployment will require billions of dollars' worth of vessels. But as we learned from the expansion of container shipping in recent decades, new demand without a level playing field will not result in increased orders for our yards.

The erosion of U.S. shipbuilding capabilities and supply chains are of critical concern to American workers. Decisive action to address the PRC's predatory practices would boost domestic shipbuilding, strengthen up-chain supply chains, make our nation more secure, and support workers, their families, and their communities.

We appreciate the USTR's timely acceptance of this petition and your commitment to a thorough investigation into China's unreasonable and discriminatory trade practices.

It is essential that we move swiftly to restore a level playing field to our shipbuilding, maritime, and logistics industries and for American workers.

Thank you for your time and consideration.

CHAIR GRIMBALL: Thank you, Mr. Ohlson.

And thank you to the panel.

We are now going to proceed with questions. The agencies represented here will ask witnesses one or more questions, perhaps not in the order that you are seated, so just be aware of that.

So, we will proceed with questions at this time.

MR. AU: Thank you.

Mr. McCall, you indicated that the U.S. shipbuilding industry has declined due to the flood of artificially low-priced Chinese ships.

Could you elaborate on how China is

able to allegedly flood the market with those artificially low-priced ships?

MR. McCALL: As our written testimony that we have submitted indicates, their support from state-owned banks, their ability to be able to fill their supply chain with un -- with also subsidized materials such as steel, aluminum, fiber optics, which we clearly believe have been subsidized throughout the country on those, so their supply chain, their ability to be able to build those ships at a much lesser price, and at the same time command their LOGNET -- LOGINK, I'm sorry, system to describe what those products are allows them control of shipping lanes as well.

MR. AU: Thank you.

MS. NGUYEN: Hi. This is Treasury.

Mr. McCall, some of the comments we received argue that the U.S. shipbuilding industry was in decline years before China started to target the shipbuilding industry for dominance in the early 2000s.

What is your response to that

argument?

MR. McCALL: If I understand the question right, back in the '80s, we lost subsidies in the shipbuilding in this country. And then at the same time as the Chinese entered the market, again subsidizing their industry, slowly but surely put shipyards out of competition, lost those jobs, lost the repair facilities in some of the shipyards as well.

As Senator Baldwin indicated, we used to make commercial vehicles for the Great Lakes for shipping iron ore and all sorts of other products across the Great Lakes. In the '70s and the '80s, we built dozens and dozens of those Lakers.

Since 1981, there has been one new Laker that has entered the, entered that particular market, and built by steelworkers using steelworker -- using steel made by steelworkers at Cleveland-Cliffs, painted Sherwin-Williams, fiber optics at some of our facilities, and other valves from Hunt Valve, rubber, and glass that we make that we can no longer produce because they, frankly, put it out, put us out of business with their practices and their subsidies.

MS. NGUYEN: Thank you.

MR. REYNOLDS: This question is for Mr. Sullivan. This is by us from Commerce.

You indicated that as the People's Republic of China has employed their decades-long effort to distort and dominate maritime sectors, U.S. shipbuilding capacities have been hollowed out and workers have been laid off.

Can you elaborate on that?

MR. SULLIVAN: Yes. Thank you.

I can give you an example from the shipyard I work in.

When I started there in the '80s, there was 12,500 production employees. Currently, today, we are under 4,000.

So, when I say that it hollows out, I mean the workforce that we have is aging, so we're trying to bring in new workers into the workforce and into this shipbuilding stream. They have to have a future. They have to be able to know that they come in here and they are going to dedicate their lives to building ships, that there is going to be work there for them in the future.

So, it's withered away that ability to do that. And the supply chains that we have, the smaller companies that build, like, ventilation, or berths and bunks for the ships, or valves and things like that, that they can't maintain. If there's no work out there, they can't maintain their facilities as well.

So, we're trying to build this back up so that people have a future but also that our supply chain companies can also stay in business as well as the shipyard.

MR. REYNOLDS: Thank you.

MR. AU: Ms. Conroy, you indicated that China poured hundreds of billions of dollars in state funds into shipyards, its industries, and state market forces.

Can you elaborate on to the extent advantage is provided by China's government-backed production costs?

MS. CONROY: Well, I think it stands to reason that if, you know, the Chinese Government is just pouring in so much money that these yards don't have to independently survive, and as long as also subsidizing all the inputs going into those ships, you know, the competitiveness just doesn't pencil out.

I would very much like to see, you know, a lot more robust shipbuilding, obviously, here in the United States, but, you know, confronting those kinds of, well, I hate to use the word "subsidize," but I don't know what other words you could use for them to basically write government checks to keep their shipbuilding industry going and being able to keep costs low, because there's no accountability. They don't have to report to stock shareholders or anything like that that we have to here.

So, they can just keep writing checks

and subsidizing their industry. And it's just a very, very unfair playing field.

I hope that answered your question.

MR. AU: Yes. Thank you.

MR. HUFFMAN: Hi. Stu Huffman, State Department. My question is also for Ms. Conroy.

So, many of the comments we've gotten have pointed out that it's possible a number of other jurisdictions, including Korea, Japan, and the European Union also provide support for their shipbuilding and maritime industries.

How would you respond to that?

MS. CONROY: Well, if I might be able to supply you with a more broader answer on that post-hearing, would you be willing to do that? Because I think I could not do that in 30 seconds.

MR. HUFFMAN: Sure. I think that's fine.

MS. CONROY: Thank you very much. Thank you.

MR. REYNOLDS: Question for Mark

Clements.

For the production of U.S. commercial vessels, can you give us an idea of what the total percentage of the cost is made up for by labor? And is this the same in China?

MR. CLEMENTS: I would like to give you a more detailed and specific answer in my comments later, if that's fine.

MR. REYNOLDS: All right. Thank you.

MR. HUBLER: Tyler from USDA. This question is also for Mr. Clements.

And you said that mariners within MTD's membership have diminished job opportunities due to the small size of the U.S.-flagged international merchant fleet.

Can you please discuss that further?

MR. CLEMENTS: That's another thing where I would like to give you some more specifics.

But in short, if we're not producing enough ships in the U.S. under the U.S. flag, those opportunities will go to the global maritime workforce instead, especially if you're talking about flag of convenience shipping.

Thank you.

MR. HUBLER: Thank you.

MS. MADHUSUDANAN: Tanvi from Department of Energy. This question is also for Mr. Clements.

You noted that Chinese vessel production has far outstripped that of the United States and all other countries.

How does China's dominance affect the U.S. ability to rebuild our shipbuilding base?

MR. CLEMENTS: I'm afraid that that is a very complicated answer. And I would like to follow up as well.

Thank you.

MS. MADHUSUDANAN: Thank you.

MS. SCHAEFER: A question for Mr. Ohlson of the AFL-CIO.

In your testimony you said that China systematically violates the labor and human rights of its people, and that the Chinese

Government's suppression of independent trade unions and labor advocates allows workplace safety concerns, wage theft, and other violations widely reported by workers across China to persist.

Would you elaborate on the impacts to the maritime, logistics, and shipbuilding sectors?

MR. OHLSON: Thank you for the question.

Well, it's great to have a representative from ILAB and the U.S. Department of State here because we rely heavily on the great work you do tracking these violations.

I would say that, you know, although this petition is specific to shipbuilding, maritime, and logistics, these issues are pervasive across the economy, so they affect every industry. And because of that they also affect these sectors.

So, we see, you know, the impacts with suppressed wages throughout shipbuilding as well as steel, aluminum and other critical inputs. So, I wouldn't say it's specific to this sector, but because it is so pervasive, it does have a dramatic impact.

MR. McCAFFREY: Mr. Ohlson, you said our shipbuilding industry has not benefitted from the rapid growth of the sector since 2000.

What would the impact on U.S. industry have been if we were able to commensurate with that growth?

MR. OHLSON: Shipbuilding jobs and investment in shipbuilding has a tremendous impact both in the yards and the very large, as I mentioned, multiplier for upstream.

I hesitate to try to do back of the envelope input/output table for you here. But looking at, you know, you know, investment of a few billion dollars translates to thousands and thousands of jobs.

We can get exact numbers for you. I know a few of our -- we work with a few different think tanks and other folks who have looked at this and have more specific numbers. We'll be happy to get that to you.

CHAIR GRIMBALL: Thank you. And that concludes our questions for Panel 1.

We will take a short break. Let's reconvene at 11:10. And at that time, Panel 2, feel free to take your seats in the front here.

Thank you.

(Whereupon, the above-entitled matter went off the record at 10:58 a.m. and resumed at 11:12 a.m.)

CHAIR TSAO: Good morning, welcome to Panel 2. We have a new panelist for this session, so we'll ask the interagency panelists to introduce themselves.

MR. REYNOLDS: Tobias Reynolds, Department of Commerce.

MS. BAVARI: Good morning, Ahdia Bavari, CBT under DHS.

MS. SCHAEFER: Sonja Schaefer, Department of Labor.

MR. SMITH: Henry Smith, Office of the

U.S. Trade Representative.

MR. HUBLER: Tyler Hubler, U.S. Department of Agriculture, Foreign Agricultural Service.

MS. VALENTINE: Rebecca Valentine, U.S. Department of Justice.

MS. MADHUSUDANAN: Tanvi Madhusudanan, Department of Energy.

MS. NGUYEN: Vy Nguyen, Department of Treasury.

MR. HUFFMAN: Stu Huffman, Department of the State.

CHAIR TSAO: And my name is Arthur Tsao, I'm the Chief Counsel for China Trade Enforcement at the Office of the U.S. Trade Representative. And, we're ready to begin.

MR. MOREL: Good morning, thank you for the opportunity to testify before this panel. My name is Maguessa Morel, and I am honored by the privilege to testify on behalf of the Ontario Marine Council.

The OMC is an organization

representing key marine supply chain stakeholders in Ontario, including ports, marine operators, shipyards, and terminal operators.

The Ontario marine industry plays a crucial role in the bi-national St. Lawrence and Great Lakes supply chain, transporting essential cargo for key industries such as iron and steel, construction, agriculture, and fuel.

Ontario-based shipping companies conduct a significant portion of their trade in the bi-national waters of the St. Lawrence River and Great Lakes, delivering vital cargo to U.S. ports.

The integration is critical as it underpins the bi-national regulatory system that sustains the American and Canadian economies.

Following the USTR investigation, any remedial action aimed at the shipping industry could have adverse environmental impacts, as the transport of goods via ship reduce the carbon footprint of transport.

Carbon emissions per ton mile are

lower for marine shipping, than for rail and truck transportation.

By optimizing transportation modes, marine shipping can reduce the shipping footprint by up to 85 percent, compared to trucking.

And independent study conducted by Martin and Associates in 2023, found that in 2022, economic impacts created by all cargo and vessel activity in the Great Lakes and St. Lawrence, supported more than 350,000 jobs, transported 120 billion worth in cargo value, and created $50 billion in economic value.

UMC would like to provide greater context to the recommendation made by the petitioners, which call for a fee to be placed on all vessels built in China that call on U.S. ports.

Due to the integrated bi-national shipping routes unique to the Great Lakes, port fees on Chinese made vessel registered, owned, and operated by Canadian companies, would be extremely punitive and run contrary to the principles of free trade and bi-national cooperation, that have been hallmarks of the trade of the Great Lakes for generation.

Such a fee could dramatically increase the cost of calling at U.S. ports. And, due to the often low margin nature of our sectors' revenue streams, unforeseen costs must usually be passed on to consumers.

This could arm the competitiveness of U.S. imports and export markets; increase costs for American consumers; and, ultimately fail to achieve the petitioner's goal of revitalizing domestic ship building capacity.

Remedial measures would also be put, the trade agreement between allies and North America at risk.

The OMC strongly recommends that if remedial measures are deemed necessary, the U.S. Trade Representatives refrain from implanting a port fee, as requested by the labor unions.

Quebec and Ontario based companies which trade with the United States, have invested in fleet renewal for many years.

And, it would be unfair to retroactively apply any fees or restrictions on vessels built in China over the years. Such action would undermine the harmonized bi-national economy of the Great Lakes.

To preserve the long lasting secure and efficient trading partnership between the United States and Canada, we urge careful consideration in any action following your investigation, that could undermine the unique shipping routes of the Great Lakes, which move vital cargo between our two countries.

I would also like to take the opportunity to recognize the Chamber of Marine Commerce for their written testimony in relation to this hearing, which echoes the concerns of the OMC.

If, as a result of the investigation, the USTR concludes that any further action might be appropriate, the OMC would advocate that such consideration be made with input from bi-national shipping groups between the United States and Canada.

Such as the CMC, as well as U.S. port related interests and others, with emphasis on continuing our strategic trading partnership throughout the Great Lakes, St. Lawrence River, and along our jointly coordinated coastal routes.

In efforts to preserve the Great Lakes trading partnership between the United States and Canada, we urge consideration and further action to recognize the unique economic fulfillment that is provided to the United States by Canadian ships operating on the Great Lakes, and other waterways.

In addition to our industry partners, I would like to work with you on a fair and balanced solution to this issue. We hope any recommendation made by the USTR in any final report, will not have any consequences beyond any potential unfair trade practices by China.

Any recommendation or proposed action could have broader impacts on the global shipping industry, and we hope our final report will make allowance for any potential impacts on trading partners like Canada, of the United States.

Thank you.

MR. KRAMEK: Good morning, Chair. My name is Joe Kramek, and I'm Director of the U.S. Government Relations, and incoming president of the World Shipping Council.

WSC is a non-profit trade association that represents the liner shipping industry, which is comprised of operators, container ships, and roll-on/roll-off vessels, including vehicle carriers. I thank you for this opportunity to share WSC's views.

WSC does not take any position with respect to whether China's acts, policies, and practices, are actionable within the meaning of Section 301.

However, WSC strongly opposes the petitioner's proposal for a port fee on Chinese built vessel.

The fee would be disruptive and

harmful to U.S. businesses and their workers, and it is disconnected from the purpose of Section 301 remedies, which is to induce changes to foreign acts, policies, and practices.

In fact, the proposed fee appears designed to raise funds to finance subsidies for domestic shipbuilding, not to elicit changes to China's acts, policies, and practices.

One of the most shocking aspects of the petitioner's fee proposal is that it would involve levying port fees on existing vessels that have already been built and sold, and that have been servicing the U.S. trade for many years.

It is inconceivable how levying a port fee on vessels already constructed, would impact China's incentives going forward.

Incapable of changing the past, a port fee on vessels already in circulation seems to be insetting and raising revenues.

Imposing a port fee on Chinese built container vessels constructed in the future, would also not be an effective way to change China's trade practices.

Most container vessels currently serving the U.S. trade are not Chinese built. And the global supply of non-Chinese built container vessels would enable vessel operators over time, to avoid the port fee by shifting Chinese built vessels onto the many non-U.S. routes, while using non-Chinese built vessels for U.S. routes.

And, because vessel operators would still make purchasing decisions based upon costs, there would still be demand for Chinese built vessels.

Thus, a port fee on yet to be constructed Chinese vessels would not meaningfully change the market dynamics for the sourcing of new vessels and therefore, would not work to change China's incentives.

By contrast, the proposed port fee could be expected to adversely impact Americans. The fee could reduce competition for ocean cargo transportation if companies with larger numbers of Chinese built vessels choose temporarily or permanently, to discontinue serving certain U.S. routes.

Decreased competition could increase prices for shippers. The fee could also shift port business and jobs to ports in Canada and Mexico.

When carriers incur the fee, it would raise the costs of imported items. Both those destined for consumers, and those used as inputs to produce goods in the United States.

As explained in WSC's submission, a one million dollar fee applied to an average capacity Chinese built container ship in the U.S. trades, would amount to almost $350 per 40-foot container of ship capacity.

For a ship making four U.S. port calls per route, that would add up to almost $1,400 per 40-foot container of ship capacity. Fees of this size would be impactful.

The port fee would also raise shipping

costs for U.S. exporters. Particularly for exporters of low-margin products with foreign competition, shipping costs increases could reduce the competitiveness of U.S. made products, impacting these exporters' ability to continue producing in the United States.

For this reason, the proposed port fee would likely bite many U.S. agricultural exporters particularly hard.

The petitioners appear to envision the fee as a method of raising money to revitalize U.S. shipbuilding, without U.S. taxpayers having to foot the bill.

Setting aside the fact that Section 301 should not be used as a backdoor method of raising revenue from specific industries, the fee would fail as a method of funding shipbuilding revitalization.

The fee would raise far less revenue than it would appear, based on the number of Chinese built ships currently serving U.S. ports, because the operators would substitute vessels.

Container carriers that do pay the port fees could be expected to pass costs along with U.S. consumers and businesses, including exporters, ultimately facing higher costs.

Moreover, the sums involved in subsidizing large scale vessel construction in the United States, would be massive.

A port fee could not finance meaningful revitalization of the shipbuilding industry. Rather, it appears a significant investment of U.S. tax dollars would be necessary to accomplish this major undertaking.

In conclusion, should the trade representative determine that the acts, policies, and practices at issue in this proceeding are actionable, she should not impose a port fee on Chinese built vessels.

I thank USTR, the Chair, and the Section 301 committee for your consideration of WSC's views.

CHAIR TSAO: Great, thank you, Mr. Kramek.

Mr. Xia?

MR. XIA: Good morning, Chair. My name is Xia Chenpeng. Please allow me to make an interim note before presenting our testimony.

Mr. Li Yanqing, the Secretary General of the China Association of the National Shipbuilding Industry, CANSI, he cannot be here today because of delayed issuance of his visa.

Authorized by Mr. Li Yanqing, I will read his testimony and note your questions, but I am sorry that I cannot make any response at this time.

And that we are respond in writing form after the hearing.

CANSI is an independent, nationwide, and a non-profit association for the commercial shipbuilding industry.

Representing over 95 percent of total shipbuilding output in China.

The allegations from the private U.S. labor unions against the China shipbuilding industry are unfounded.

We are here to clarify the things earlier here in committee, to a formal, comprehensive, and the correct understanding of relevant issues. And to draw reasonable conclusions.

First, China shipbuilding industry has been driving in compliance with the international trade laws and the commission's operations and the standards from, for international shipbuilding.

Commercial shipbuilding is a labor, capital, and technology intensive where different countries work closely together on the global industry specialization.

China has a development with its own comparative advantages. And these are actively important contributors to maritime economic vision.

The decline of the U.S. shipbuilding industry is not directly related to the development of that of China. China has provided a broad space for the Sino-U.S. operation in maritime sector, which is valuable for U.S. companies.

U.S. policymakers should not restrict competition, which we are not actually damaging the interests of relevant parties in the country.

Second, the accusations against the China shipbuilding industry in the petition have no factual basis and weaken professional understanding of the global shipbuilding industry, marketing rules, and the industrial ecosystem.

In the national commercial shipbuilding market, is 40 competitive is a clear cycle. The new building market is driving by shipping demand, and is increasingly influenced by international commissions and the rules.

Considering the urgent requirements from IMO on reduction of GHG emissions from ships, there is no so-called over capacity currently.

But the building capacity of grain ships is insufficient. A global commercial shipbuilding value chain including ship design, construction, equipment storage, and maritime stories, et cetera, has been forwarded from the based on the industry specialization, and the cooperation. It provides the opportunity for the environments of various countries, based on their own advantages.

China attaches greatly importance to the protection of intellectual property rights and has carried out successful cooperation with enterprise in many countries. In fact, China has long been a major filler of IP applications in shipbuilding sector. In 2023, more than 84 percent of the new patent applications are for shipbuilding industry in the world, was fielded by China.

Third, unilateral action against China shipbuilding industry is absurd, which not only damages to U.S. maritime industry but also depriving the American equipment system companies of a larger market.

China is building ships participated

largely in U.S. seaborne trade, and China shipbuilding has a close tie with American equipment, technology, and service providers.

The crackdown on China shipbuilding not only hurts the global maritime industry and disrupts the shipping market, but also harms the interest of many American and maritime equipment providers, making them less competitive.

Fourth, China and the U.S. share common responsibility in addressing global climate change, and should jointly promote greater opportunity for the maritime economization.

CANSI is willing to conduct dialogue and cooperation with the U.S. maritime industry. We certainly welcome you, U.S. maritime society and the related stakeholders to China, for participating in various maritime activities.

Thank you.

CHAIR TSAO: Thank you, Mr. Xia.

Mr. Zhang?

MR. ZHANG: Good morning, Mr. Chair,

thank you for having me here today. My name is Zhang Shouguo.

I am the executive with China of Shipowners' Association, or CSA. CSA is China's largest trade organization in the shipping sector, representing over 300 shipping enterprise, both Chinese- and foreign-owned.

CSA is a member important contributors to the global shipping industry, and to bi-lateral U.S./China trade.

As explained in our written comments, China's policy have no impact on the charts of the U.S. shipbuilding industry. Also, the port of fee proposed by the petitioner will not revive the U.S. shipbuilding industry. Instead, it will increase costs and degrade service options for U.S. importer and exporter.

CSA therefore urges USTR to end this investigation without imposing additional, unnecessary cost on the global shipping industry. That the benefit of China's shipping industry began to accelerate after China joined the WTO in

2001. But decline of U.S. shipping industry began much earlier. The petitioner themself knows that the tonnage carried by U.S. flag fleet had already dropped to 2 percent by 2003.

Figures for the U.S. shipbuilding show a similar trend according to the data from CIS. By 1999, the share of global shipbuilding market held by the United States had already dropped for the just one quarter of 1 percent.

This figure clear contradict the petitioner claim that the development of a China shipping industry harmed U.S. interests, which should be enough for USTR to decline to impose any relief.

The proposed port fee will be a both ineffective and damaging to U.S. interests, and the global trade.

Imposing a one million U.S. dollar port fee on Chinese built vessel, which are owned and operated by a ship owner around the world, would add a possible 10 billion U.S. dollar in cost to each year. This will rise costs on each

P.O. by an amount several times greater than the proposed in the petition. This additional cost will be passed along to U.S. consumers.

The proposed port fee will also harm U.S. exporter. The United States is a major exporter of agriculture products and energy, which are carried on Chinese built ships. The proposed fee will significantly increase the cost of these exports, making them less competitive in the global market.

Instead, any measure related to the shipping industry should be sought through negotiation, and that existing market lateral agreements, such as the WTO, or through the well-established, stable financial framework of U.S./China maritime transportation agreement.

Any unilateral action by the United States will be contrary to the principle of cooperation that have guided the beneficial U.S./China trade for decades.

Thanks, I appreciate the opportunity to present these comments, and we look forward to your questions.

Thank you.

CHAIR TSAO: Thank you, Mr. Zhang.

Mr. Yu, whenever you're ready.

MR. YU: Good morning, thank you for giving me the opportunity to attend today's hearing.

I am Dongke Yu, Director of Machinery Industry, Department of China Chamber of Commerce for import and export of machinery and electronic products, short for CCCME.

CCCME has been committed to promoting lateral trade and investment between U.S. and China. Last week, we led a group of nearly 100 business representatives to visit Los Angeles under the joint working group mechanism of China provinces, and U.S. states.

In terms of China's shipbuilding industry, its development is driven by the increased amount of international trade. After China joined the WTO, from 2001 to 2013, China's merchandise trade value rose from the 14th to the first place globally. Such rapid growth in global transport tripled the amounts and new shipbuilding needs, prior to the development of China's maritime logistics and the shipbuilding industries.

And China's development does not hinder or burden the development of U.S. shipbuilding industry, whose development is independent from China's. As data shows, from 2001 to 2012, the compounded annual growth rate of U.S. ship exports was 5 percent. As for ship exports from 2011 to 2020 where China had a 40 percent decline, U.S. had a 25 percent decline.

We can see that U.S. ship exports does decrease when China's ship exports increased. Nor did it increase when China's ship exports decreased.

As explained in CCCME's comments, China's shipbuilding industry is fully internationalized, and ship price fluctuated with the market. All ships built for exports comply with the international standards and at the amounts of the customers. From 2005 to 2023, the average export price of Chinese passenger and cargo ships rose from four million USD to 25 million USD.

The claim made by the petitioners fails to establish a logical relationship between the decline of U.S. shipbuilding industry, and the growth of China's.

There are misunderstandings and biases regarding the development of China's shipbuilding industry and the inter-process. Chinese inter-process take the business decisions and investment of its companies' strategies, and market the amounts. The rapid growth of Chinese companies and their leading role in the global industry, are the measurements out of their continuous investment in R&D.

Also, China-made cranes are safe. Cranes are built and delivered strictly according to customer specified technical specifications. And, a core competence are provided by customer designated suppliers. This is also supported by evaluations from industry professionals in U.S., and India.

This Section 301 investigation and the proposed remedies will not help solving the current problems of U.S. shipbuilding industry and its revival.

Instead, imposing port fee will cause substantial harms to U.S. customers. Importers, exporters, ship equipment manufacturers, as well as U.S. producer of grain, oil, and natural gas, and will reduce the international competitiveness.

It will add tens of billions of U.S. dollars additional and annual costs for U.S. customers, and it led to negative impacts globally.

Initiating these Section 301 investigation and taking corresponding revenue measures, will cause wilder disruptions in global ocean logistic system, and trade.

Undermine international supply chains, and harming multi-lateral trade, and impacting global economy.

CCCME sincerely hopes that the USTR can listen to the voices of all industry stakeholders, and carefully consider this Section 301 investigation.

We strongly recommend terminating this investigation, and avoiding unreasonable measures that would increase international shipping, and trading countries.

Thank you.

CHAIR TSAO: Great, thank you, Mr. Yu.

And now we have concluded the testimonies from witnesses, and we will begin questions from the panel.

First question?

MR. HUBLER: Good morning, this first question is for Mr. Morel. This is Tyler, from the U.S. Department of Agriculture.

We understand that some vessels in service on the Great Lakes were built in China. Is that true?

And if so, how much does it cost to

reposition a ship from a shipyard in China to the Great Lakes?

MR. MOREL: So, yes, it is true that some vessels that navigate the Great Lakes built in China.

As a matter of cost, I would say it's really commercial sensitive to discuss the price that ships cost.

But in U.S. dollars, it would probably from $40 to $60 million a vessel.

MR. HUBLER: Thank you.

MR. SMITH: Good morning, this is Henry Smith from the USTR. This question is also for Mr. Morel.

What is your organization's relationship to the Ontario Provincial government, and the Canadian government?

MR. MOREL: So, we are a non for profit organization, with no direct relationship with the Provincial or federal government.

We do represent the interests of the industry with these bodies.

MR. SMITH: Henry Smith again, from the USTR. This question is for Mr. Kramek.

How has China's acts, policies, or practices in shipbuilding and shipping sectors, affected liner vessel sourcing decisions?

MR. KRAMEK: The question is, how has China's practices affected liner sourcing decisions? I'm not sure about the practices.

Generally speaking, the largest shipbuilders in the world right now are China, Japan, and Korea. And there are others that are outlined in our brief.

And so, our members purchase ships that are defined to be the best price, and the highest quality and fit for purpose for the trade that they want to employ them on.

And, there is a global market for that, but those are the three largest, those are the three largest players in the shipbuilding market right now.

MR. SMITH: All right, thank you.

Henry Smith from USTR. This question

is also for Mr. Kramek.

Is the World Shipping Council affiliated with any government? Are any of your members Chinese stated owned, invested, or controlled?

MR. KRAMEK: Thank you.

Yes, we're not affiliated with any government. We have members from many nations. Denmark, Israel, the United States, Singapore, Korea, Japan and China, Germany and France.

And so, our board is made up of our members, and the board makes a collective decision on direction to instruct the World Shipping Council, based on collective member input.

MS. NGUYEN: This is Vy from Treasury, and this is a question for Mr. Yu, from the China Chamber of Commerce.

You indicated in your submission that China's price advantage in shipbuilding comes from lower manufacturing costs. And that in 2005, Chinese labor costs were 1/18th of U.S.

labor costs.

Could you please explain why China has lower manufacturing and labor costs?

THE INTERPRETER: I am the translator of Mr. Yu. Let me translate for Mr. Yu first.

MR. YU: The data I submitted in our submission comes from the U.S. agencies that is public data, and also for China's legal policies, also from China's government agencies. So, you can refer to our comment for more details.

Actually, in the year of 2005, China's economic development level is, was much lower than the development level of the United States.

That's the main reason why the labor cost is much lower than that of the U.S.

MS. NGUYEN: Thank you.

MR. REYNOLDS: Hello, this is Tobias, Department of Commerce, also for Mr. Yu.

The petition alleges that China engaged in extensive state support for shipbuilding, and favorable treatment and preferences for Chinese built ships.

Do you agree that China engages in these acts, policies, and practices alleged in the petition?

THE INTERPRETER: Excuse me, could you repeat your question?

MR. REYNOLDS: Of course.

So, the petition alleges that China engaged in extensive state support for shipbuilding, and favorable treatment and preferences for Chinese built ships.

Do you agree that China engages in these acts, policies, and practices alleged in the petition?

MR. YU: I am from CCCME and we are a trade organization. So, our main focus is about trade.

And in terms of policies or the policies made by Chinese government, those policies are open and accessible for the public. So, more information can be found out in the public way.

And, in my view, this kind of policies

are just guiding policies. It depends on the companies to make their own decisions when doing business.

MR. REYNOLDS: Thank you.

MS. SCHAEFER: Question for Mr. Yu.

Can you please explain the role of labor unions in your members' companies?

MR. YU: CCCME is a member-based chamber, so our main focus is on, to assist our member companies to do trades, especially import and export of machinery and electronic products.

And for our chamber, the member companies are voluntarily and that they can join our chamber.

If they become our members, we will provide corresponding services for them to facilitate their trade activities globally.

MR. SMITH: Henry Smith, from USTR. This question is for Mr. Yu.

Is your organization affiliated with the Chinese government, or the Chinese Communist Party? How many members in your organization are

Chinese state owned, invested, or controlled?

MR. YU: Thank you for your question.

When our member companies join the chamber, we don't actually collect the various expectation -- expected information about the type. And, we don't actually count the numbers of the members who are state owned, or other types of business. Actually, the majority of our members are those private owned companies.

And for the other questions of the party member, and we actually we don't collect those information.

MS. SCHAEFER: A question for Mr. Xia.

Can you please explain the role of labor unions in Chinese shipyards? Are workers allowed to independently organize, strike, and bargain with the shipbuilding company management?

What roles do the party and company leadership play in Chinese labor unions?

MR. XIA: Thank you.

I'm sorry that I cannot ask, I'm not authorized to answer your questions. But I will note your question, and we will respond in writing from after the hearing.

Thank you.

MS. VALENTINE: Another question for Mr. Xia from the Department of Justice.

Petitioners allege that the government of China directs state owned enterprises to purchase Chinese built ships.

And that state owned financial institutions and leasing houses provide support to state owned enterprises, and others to purchase Chinese built ships.

How do you respond to that?

MR. XIA: We will respond in writing from after the hearings.

MR. SMITH: Hello, Department of State with another question for Mr. Xia.

How many foreign countries active in China's, how many foreign companies are active in China's shipbuilding industry, and what is their market share?

MR. XIA: Okay, we will respond in

writing from after hearing.

Thank you.

MS. MADHUSUDANAN: Tanvi, from Department of Energy. Another question from Mr. Xia.

Does China have domestic content goals for marine equipment used in Chinese built ships?

If so, what are the effects on the market for marine equipment used for Chinese built ships?

MR. XIA: We will respond this question in writing from after hearing.

Thank you.

MS. MADHUSUDANAN: Thank you.

MS. NGUYEN: This is another question for Mr. Xia.

Does the Chinese shipbuilding industry receive support from the Chinese government? If so, how much?

MR. XIA: Thank you. We will respond this question in writing from after hearing.

Thank you.

MR. SMITH: Henry Smith, from USTR. This question is for Mr. Xia.

What is your organization's relationship to the Chinese government, or the Chinese Communist Party?

How many of your members are Chinese state owned, invested, or controlled?

MR. XIA: Okay, we will respond this question in writing from after the hearing.

Thank you.

MR. REYNOLDS: Tobias Reynolds, Department of Commerce. This is for Mr. Zhang.

Are there any Chinese rules or policies that require your members to buy or lease, Chinese ships?

MR. XIA: Okay, we will respond this question in writing from after the hearing.

Thank you.

MR. REYNOLDS: Oh, I'm so sorry, it's for Mr. Zhang behind you.

MR. XIA: Oh, sorry, sorry.

MR. ZHANG: This has no such

requirements that ask what member to buy which country's ship, or others, no.

MR. REYNOLDS: Thank you.

MR. HUBLER: Tyler Hubler, from USDA. This question is also for Mr. Zhang.

What percentage of your members' fleets are Chinese built ships?

THE INTERPRETER: Sorry, may I clarify your question? Your question is how many percentage of the members lease Chinese built ships? Is that?

MR. HUBLER: So the percentage of the members' fleets of ships are Chinese built ships. What would the percentage be of Chinese built ships?

MR. ZHANG: (Speaking for himself) The ship from other country also from China, but the percentage, I don't ask my member to report to ask, yes.

That's my answer.

MS. BAVARI: Another question for Mr. Zhang.

So the petition contends that China's acts, policies, and practices, related to foreign ports and terminals advantage Chinese shipping and shipbuilding companies over others.

How do you respond?

MR. ZHANG: (Speaking for himself) Maybe if you allow me to ask my translator help me because the language is so different to answer the question.

(Foreign language spoken.)

MR. ZHANG: Most our members are shipping companies, and we are not familiar with how they use terminals or ports. So, I do not know the answer to your question.

MS. BAVARI: Thank you.

MS. SCHAEFER: A question for Mr. Zhang.

Can you please explain the role of labor unions on Chinese commercial vessels? Are workers allowed to independently organize, strike, and bargain? What roles do the party and company leadership play onboard Chinese commercial vessels?

MR. ZHANG: In our commercial vessels and in our shipping companies, there are labor unions. The labor unions are joined on a voluntary basis.

And, the labor unions have their own charters. They will have engaging activities in accordance with their own charters.

And in China, it is based on rule of law, and all entities when they engage in any type of activities, need to abide by the rules and the laws. And in China's laws and regulations are all open to the public.

MS. SCHAEFER: Thank you.

MR. SMITH: Henry Smith, from USTR. This question is for Mr. Zhang.

What is your organization's relationship to the Chinese government, or the Chinese Communist Party? How many of your members are Chinese state owned, invested, or controlled?

MR. ZHANG: China Shipowners'

Association is a private trade association. We are joined on a voluntary basis, and we have both Chinese members, and a foreign owned members. And, we are also a non-profit seeking organization. CSA when conduct activities, is based on our own charter. We are an independent organization.

CHAIR TSAO: Great, thank you to all the witnesses for your testimony and responses to our questions. We have now concluded Panel 2.

So it's about 12:00 noon right now. I would say if there are no objections, we break for lunch until 1:20, that's 13:20. So, lunch break from now till 1:20. Thank you.

(Whereupon, the above-entitled matter went off the record at 11:58 a.m. and resumed at 1:25 p.m.)

CHAIR BUTLER: Good afternoon. First, we're going to start with congressional testimony, Congresswoman Dingell, and then we'll open it to panel number three. Congresswoman, please?

REP. DINGELL: Thank you. Members to the Section 301 Committee, thank you for the opportunity to testify today on this important issue, the People's Republic of China's unfair trade practices in the maritime industry, logistics, and shipbuilding sector, and their impact on the United States.

As Co-Chair and Co-Founder of the Congressional Labor Caucus, I know that the American workers can compete with anyone when they're playing on a level playing field. As a member of Congress representing Michigan's sixth congressional district, I have seen firsthand how unfair trade practices have impacted by constituents and the workers here.

A strong domestic shipbuilding industry supports good jobs and promotes supply chain resiliency. In addition to direct shipbuilding jobs, the commercial shipbuilding industry also supports good jobs in manufacturing, structured steel, electric cable, and other important products.

In 1975, the United States was the leader in global shipbuilding, employing over 180,000 workers, and securing more than 70 commercial (audio interference).

The U.S. has lost over 70,000 shipyard -- you should hear me. I can tell the connection isn't strong. Today, the number of major commercial U.S. shipyards has fallen from 28 to seven. The U.S. now ranks 19th worldwide in shipbuilding (audio interference) percent of global commercial ship construction.

In 2006 (audio interference) seven strategic industries, and in 2015, the PRC identified shipbuilding as one of the ten priorities of global commerce by 2025. Accordingly, for its domestic shipbuilding, inferences, grants and many state-owned shipping enterprises and state-owned oil companies.

The CCP, the Communist Party, has increasingly -- implements military civil fusion, a policy that views commercial applications, it's intertwined with military goals. Therefore, the

CCP's commercial investments directly support China's governing military capabilities.

The numbers show that this strategy has worked. CCP supports of the shipbuilding provided over $130 billion in funding just between 2010 and 2018, and between 2018 and present, China's shipbuilding orders have grown to 50 percent of world production.

As of 2022, Chinese shipyards have orders for over 1,500 ships. The U.S. now produces ten oceanic commercial vessels per year, while China produces over 1,000. China has more than 5,500 flagged merchant vessels in oceangoing service, whereas the U.S. has fewer than 50.

LOGINK, the CCP's transportation and logistics software platform, is controlling cargo at 20 major ports around the globe, including in South Korea, Japan, Antwerp, Rotterdam, and Hamburg, giving China's government an unparalleled window into commercial transactions and trading relationships.

The result of all of this is that in

the first half of 2023, Chinese shipyards received over 72 percent of the world's newly received orders for ships. The PRC's unfair trade practices, if unchecked, will make it impossible for the U.S. shipbuilding industry to recover. These acts, policies, and practices are unreasonable, unfair, and inequitable, and they have burdened and restricted U.S. commerce.

The Office of the United States Trade Representatives play a critical role in enforcing U.S. trade laws. As USTR pursues its Section 301 investigation into PRC's trade practices, I encourage you to consider this evidence and the importance of fostering a strong domestic shipbuilding industry in the United States. It matters for our national security and it matters for our economic security. Thank you for your time and your --

CHAIR BUTLER: Thank you, Congresswoman --

REP. DINGELL: -- attention to these matters, and for allowing me to testify.

CHAIR BUTLER: Thank you. Can we please call up panel three to the table?

Thank you. Welcome, this afternoon, to panel three. Why don't we do introductions first? Perhaps we can start with the Department of Commerce?

MR. REYNOLDS: Sure, Tobias Reynolds, Department of Commerce.

MR. AYALA: My name is Mike Ayala. I'm with the Department of Homeland Security.

MR. KOZUB: Daniel Kozub, Department of Transportation.

MS. SCHAEFER: Sonja Schaefer, Department of Labor.

MR. AU: Thomas Au, Office of the U.S. Trade Representative.

MS. VALENTINE: Rebecca Valentine, Department of Justice.

MS. MADHUSUDANAN: Tanvi Madhusudanan, Department of Energy.

MS. NGUYEN: Vy Nguyen, Department of Treasury.

MR. HUFFMAN: Stu Huffman, Department of State.

CHAIR BUTLER: And my name is Philip Butler. I'm Chair of the Section 301 Committee from USTR. So, let's start with testimony. Our first witness is Scott Paul from the Alliance for American Manufacturing. The floor is yours. Thank you.

MR. PAUL: Thank you. On behalf of the Alliance for American Manufacturing, I appreciate the opportunity to testify before the Office of the United States Trade Representative's public hearing regarding the Section 301 investigation on shipbuilding.

AAM is a nonprofit, nonpartisan partnership formed in 2007 by some of America's leading manufacturers and the United Steelworkers. Our mission is to strengthen American manufacturing and create new private sector jobs through smart public policies. AAM commends USTR for undertaking this Section 301 investigation.

The United Steelworkers, along with other trade unions, have laid out a sweeping case in the petition and call for appropriate remedies that will help to restore America's economic security, push back against China's unfair trade practices, and revitalize shipbuilding in America.

From our earliest days as a nation, the United States has sought to develop and maintain a robust shipbuilding capability to keep our nation safe, project our strength, and grow our trade. The maritime strength of the United States helps to boost prosperity across the globe and support well-paying jobs here at home.

But in the 21st century, the People's Republic of China's approach to bolstering its own domestic shipbuilding capabilities threatens this prosperity, as well as the remaining shipbuilding jobs in the United States.

Today, China controls over half the world's shipbuilding and began construction on nearly 1,800 large oceangoing vessels in 2022.

During the same year, the U.S. began construction on just five such vessels.

A briefing slide by the U.S. Navy reveals that China's shipbuilding capacity is 232 times greater than our own. This has significant implications for our national security. The U.S. Merchant Marine currently consists of about 175 vessels that are 30 years old on average. This aging fleet, coupled with our dependence on foreign shipbuilders, puts our broader supply chain at risk.

Investing in our domestic commercial fleet and in manufacturing more broadly would help to shore up our economic security. To do this, we must first respond to China's policies. The largest obstacles to shipbuilding in the United States are the unfair trade practices of China.

While no nation should be faulted for seeking to develop maritime capabilities, Beijing's ambitions go well beyond that. China's shipbuilding capacity has been turbo-charged through a series of efforts aligned with five-year plans dating back more than two decades.

Some of the support for Chinese industry identified in the petition include policy loans from state-owned banks, equity infusions, and debt for equity swaps, the provision of steel plate from state-owned steel producers at below market prices, tax preferences, grants, and financing from China's state-owned export credit agencies.

Shipbuilding was identified as a pillar industry in the Made in 2025 scheme, Made in China 2025 scheme. Beijing sought nothing short of dominating global commerce. There are also valid concerns about foreign capital and technology flowing into Chinese dual use shipyards, which contribute to both civilian and military shipbuilding capabilities.

China sought this transfer of technology, sometimes through means that are unfair or illegal, such as intellectual property theft, to help bolster its naval buildup, a goal laid out in the 13th national five-year plan of 2016. Things are so bad that our own Navy must today rely on Chinese-made dry docks in certain circumstances.

The practices I reference have allowed China to capture a massive portion of global shipbuilding orders, with data from May 31, 202Clarksons Research indicating that China secured 76 percent of such orders in April 2024 alone. This dominance in the market continues to have a detrimental effect on shipbuilders in other countries, including the United States.

Over time, the economic impacts of these unfair trade practices and shrinking share of global shipbuilding in America include the devastating loss of more than 70,000 shipbuilding jobs in the U.S. and many more indirectly, as well as the stunning exit of 25,000 domestic shipbuilding suppliers over the past decade.

We strongly urge USTR and the administration to grant remedies proposed by the petitioners, including the imposition of a fee on

Chinese-built vessels docking at U.S. ports, the creation of a shipbuilding revitalization fund from the proceeds of the fee, measures to support U.S. demand, demand for U.S.-built vehicles, and consultations with other nations to address global concerns about China's practices. Thank you for your consideration of AAM's views on this matter.

CHAIR BUTLER: Thank you, Mr. Paul. Next, we have Patrick Bloom from Cleveland-Cliffs. The floor is yours.

MR. BLOOM: Thank you. Good afternoon, members of the committee. I'm Patrick Bloom and I serve as Senior Vice President of Government Relations for Cleveland-Cliffs. Thank you for the opportunity to present testimony as part of this Section 301 investigation.

On behalf of Cleveland-Cliffs, I would like to express strong support for the Section 301 petition filed by the United Steel Workers, the International Association of Machinists and Aerospace Workers, and Allied Industrial unions.

Cleveland-Cliffs, the largest producer of flat-rolled steel in the United States, employs approximately 28,000 individuals, with workers represented by the USW, the IAM, as well as the United Auto Workers. Cliffs is also one of the leading domestic producers of steel plate for the American shipbuilding sector.

We produce plate from our Burns Harbor integrated steel mill in northwest Indiana, which employs more than 4,000 workers, and from our Coatesville and Conshohocken mills in eastern Pennsylvania, which together employ more than 800 workers. The skilled workers at Cleveland-Cliffs Burns Harbor, Coatesville, and Conshohocken mills are represented by the USW.

Cleveland-Cliffs, through its plate operations, supplies both carbon plate and alloy plate for the commercial and military shipbuilding sectors. Our Coatesville mill has produced steel for shipbuilding since 1825 and has supplied the U.S. Navy through its contractors since 1886. In fact, Coatesville produced its first steel order for U.S. naval submarines in 1899. Burns Harbor has produced plate since the establishment of that mill in 1964.

Presently, Cliffs continues to directly support the commercial shipbuilding, barge, tanker, and ship repair industries. Cleveland-Cliffs is also a critical supplier of plate to Department of Defense contractors in support of the U.S. Navy's submarine, aircraft carrier, and destroyer platforms.

A determination under the Defense Production Act for modernization of navy-grade alloy steel plate production was signed in 2014, which established that navy-grade allied steel plate is essential to the national defense.

Following the initiation of this investigation by USTR, this interagency committee is considering the well-documented, anti-competitive behavior of China in relation to its shipbuilding sector. The committee must weigh the petitioner's proposed remedies to address

China's market destroying practices.

These potential remedies include imposition of a port fee on Chinese-built ships docked at U.S. ports. This fee would support the establishment of a shipbuilding revitalization fund to help strengthen the domestic commercial shipbuilding industry and its workforce.

Cleveland-Cliffs strongly supports the proposed port fee on Chinese ships which are built through nonmarket practices orchestrated by the Chinese government. I want to assure you that we have the plate capacity necessary to support growth of our domestic commercial shipbuilding industry.

Cleveland-Cliffs will submit business confidential capacity data in our post-hearing brief for your consideration. Today, I can assure you that we have the existing capacity to increase production of steel plate for commercial ships by two to three times our current production volume.

While the precise amount of our

additional capacity would depend on the particular product mix demanded for commercial shipbuilding, Cleveland-Cliffs has the skilled workforce and specialty equipment needed to significantly ramp up production of plate for the commercial shipbuilding sector. Rest assured that this ramp up in production volume could be effectuated without interfering with our navy-grade alloy steel plate production that supports the U.S. Department of Defense.

I direct the committee's attention to the following excerpt from the Union's Section 301 petition on shipbuilding, quote, from 2000 to 2022, China's share of new vessels built each year on a global basis rose from less than ten percent to 47 percent, end quote. The petition continued, quote, while Chinese shipyards now produce over 1,000 oceangoing vessels a year, the United States produces less than ten, end quote.

Plainly stated, the rapid ascendance of the Chinese shipbuilding sector, fueled by the intervention of the Chinese government and its anti-competitive, nonmarket practices is linked directly to the degradation of the United States shipbuilding industry.

Fortunately, the United States has retained the skilled union workers and industrial capacity, including in highly-specified carbon and alloy steel plate, necessary to rebuild this critical sector.

In closing, on behalf of Cleveland-Cliffs, I respectfully urge USTR and the committee to expeditiously conclude this Section 301 investigation and recommend that President Biden impose a remedy applying to Chinese-built ships that will allow the United States to strengthen its shipbuilding industry to the benefit of U.S. economic and national security. Thank you.

CHAIR BUTLER: Thank you, Mr. Bloom. Next, we have Peter Young from the Delegation of the European Union to the United States. Mr. Young?

MR. YOUNG: Thank you very much, Mr.

Chairman, and good afternoon. Thank you for the opportunity to speak at this hearing on behalf of the Delegation of the European Union. In my statement, I shall highlight the main elements of the written submission that we have made, and shall indeed shorten my prepared remarks a bit to try and meet your five-minute limit.

From the outset, the EU wishes to highlight the importance of the attaches to advancing transatlantic corporation, to deepening EU-U.S. trade and economic relations, and to avoiding unnecessary trade tensions. In this context, we think it is of high importance that the present investigation does not lead to any discriminatory or unintended negative economic effects on close trading partners of the United States such as the EU.

The EU fully understands the importance of the U.S. attaches to its domestic production capabilities in the shipbuilding, maritime, and logistic sectors. Subsidies in the global shipbuilding sector are a longstanding concern for us and for the EU, which is committed to market-based competitive conditions.

Domestic industries and workers in both the EU and the U.S. are negatively affected by subsidies in this sector that have been provided by certain Asian jurisdictions. The EU is firmly of the view that governmental measures and practices that hinder free and fair competition and distort the level playing field should be discouraged.

We have worked to address this global problem in this sector inter alia through the work of the OECD and its shipbuilding committee. Within that committee, the EU discusses with Japan, Korea, Norway, United Kingdom, and other shipbuilding countries how to improve the transparency of subsidies and achieve normal competitive conditions.

The committee also collects and analyzes information on policy and market developments in non-shipbuilding committee economies. Recent reports published in this area have demonstrated the rapid growth of the Chinese shipbuilding industry over recent years and the high number of support measures from which it has benefitted.

The EU is well aware that this investigation is in its early stages and that the U.S. authorities have yet to reach any conclusion on potential outcomes. However, the petitioners have themselves already indicated what they would consider appropriate outcomes, and we have therefore focused on these potential remedies in our comments.

The EU wishes to highlight that the EU shipping sector is a global industry and active in all main trade lanes and segments, including tanker and bulk. This is of great benefit to the capacity of EU and U.S. economic operators to trade successfully across the Atlantic and with third countries.

European shipping lines are particularly important in the container segment where EU economic operators account for 34 percent of the global shipping market, existing fleet and other boats combined. Four of the five largest shipping lines in the world by capacity are based in Europe.

EU shipping companies own or operate between 30 and 40 percent of global in key segments, including LNG carriers, tankers, bulk, and container vessels, and for high-value containerized cargo, the share of European operators is as much as 50 percent.

Any additional port fee on Chinese-built ships such as the petitioners have requested would have a direct impact on international trade, including on ships carrying goods ordered by U.S. importers. The additional costs of this will likely be passed onto U.S. importers and ultimately to U.S. consumers. The impact would also be felt in the U.S. energy sector.

With the recent reorientation or EU energy imports away from Russia, the EU is importing an increasing amount of LNG from the

United States, as much as half of U.S. energy exports in 2023. Applying a port fee to the vessels that transport this gas could disrupt LNG supply chains and potentially affect transatlantic energy security at a critical time following the Russian invasion of Ukraine.

We note that the petitioners single out the EU regulations are a model that the U.S. could follow through the establishment of a port fee. We'd like to clarify that no such blanket fee was envisaged in that regulation. Rather, it envisaged a complaint space system providing for the possibility of detailed investigations into foreign sales of injuriously low-priced ships.

Any remedy would therefore have been the result of a targeted case by case analysis and not a one-size-fits-all approach, and of course this EU regulation has never been applied since it was conditional on the entry and force of the OECD shipbuilding agreement, which has never happened as it was never ratified.

The petitioners also advocate greater

financial support for the U.S. domestic shipbuilding sector and additional measures to support demand for U.S.-built vessels. The EU notes that the U.S. domestic industry is already very highly protected as a result of the Jones Act, a piece of legislation with which the EU has longstanding concerns since it restricts fair competition in the shipbuilding and shipping markets. Any measures taken as an outcome of this investigation should avoid further restricting the conditions of implementation of the Jones Act.

Should the U.S. authorities decide to provide additional financial support to the sector, the EU would request that such support should also be made available to EU shipyards and workers on a nondiscriminatory basis, and that EU operated vessels would be exempted from contributions to any commercial shipbuilding revitalization funds such as the petitioners have proposed.

Additional restrictions on the

provision of maritime transport services, whether for general cargo or more specialized activities such as offshore supply work or dredging, would create the risk of inefficient use of available vessels. At the same time, any nondiscriminatory measure which would increase the supply of specialized vessels would be welcomed by the EU.

The petitioners also seek remedies that would address Chinese port and logistics infrastructure platforms and equipment. Should the U.S. decide to take action in this area, the EU would encourage the U.S. to avoid disrupting the logistics sector.

To the extent that the U.S. considers additional actions as a result of the present investigation, the EU is open to discuss with U.S. authorities how this might be done in a way to strengthen resilience of supply chains with the EU and other like-minded allies.

The petitioners also highlight that the U.S. could launch negotiations with other major shipbuilding economies to address any concerns about their own government support programs, and to coordinate measures to address China's unfair practices.

The EU is open to explore with the U.S. the possibilities for advancing cooperation in this area, including any scope for an international sector-specific instrument that would address the needs of the shipbuilding sector.

In conclusion, the EU encourages the U.S. authorities to focus on enhancing international cooperation with the EU and other like-minded countries in the shipbuilding, maritime, and logistics sectors, with the goal of restoring competitive conditions, revitalizing industries, and ensuring well-diversified and resilient supply chains.

We trust that when the times comes for the U.S. to decide what actions to take following this present investigation, it will take all relevant factors into account and avoid imposing measures which would directly or indirectly negatively impact the interests of the EU, EU economic operators, or EU workers, or disrupt supply chains on either side of the Atlantic. Thank you for your attention.

CHAIR BUTLER: Thank you, Mr. Young. Next, we have Mr. Shugart from the Center for a New American Security.

MR. SHUGART: Good afternoon, members of the Commission. My name is Thomas Shugart. I am a former United States Navy submarine warfare officer and submarine commanding officer, and an adjunct senior fellow at the Center for a New American Security, where my research focuses on the Chinese People's Liberation Army and the U.S.-China military balance. Thank you for the opportunity to testify today on matters critical to our national interests.

My testimony today will focus on China's extraordinary naval buildup, heavily supported by state subsidies to Chinese state-owned shipbuilding enterprises, and the challenges that the United States faces in addressing this buildup given the decline of the U.S. commercial shipbuilding that's been discussed today. I will also provide policy recommendations to support our national security interests.

Now, in recent decades, China has emerged as the world's premier maritime power by almost every measure, including the size of its fishing fleets, its merchant shipping, and its maritime law enforcement. China's heavily subsidized shipbuilding industry dwarfs that of the United States, producing 26 million tons of shipping in 2022 compared to just over 70,000 tons from American yards.

China's enormous fishing fleet, the world's largest, is depleting fish stocks globally, and includes a force of government subsidized maritime militia vessels, some of which are designed to deliberately ram other vessels.

While the United States currently retains superiority in hard naval power, this advantage is diminishing. China's naval buildup is reminiscent of the U.S. 600 ship navy effort of the 1980s and China's dual purpose military-civilian shipyards are producing large quantities of warships, including aircraft carriers, advanced destroyers, cruisers, frigates, and submarines.

Now, although the United States Navy remains larger in terms of overall naval tonnage, perhaps a better measure of combat power at sea than sheer numbers of ships, the trend lines here are distinctly negative. From 2014 to 2023, by my calculations, China launched more than 1.1 million tons of warships, approximately 50 percent more than the United States did during the same period.

My projections indicate that the PLA navy may achieve parity with the U.S. Pacific fleet in terms of tonnage as well within ten to 15 years, and I would say that given ongoing expansions of China's dual purpose civil military shipyards, this pace is unlike to slow in the long term.

Now, in the 1980s, way back then, China set a timeline for its navy with three broader goals, by 2000, control over the sea regions within the first island chain, by 2020, extending control to the second island chain, including Guam, and by 2050, developing a global navy. The PRC's 2015 defense white paper further expanded these goals to include defense of overseas interests through what it calls open seas protection.

Now, today, a key question in deterring Chinese military aggression is whether China will close the gap and seat of capacity necessary to invade Taiwan. By my calculation, China's civilian roll-on/roll-off ferries or railroad ferries could alone provide more than double the sealift tonnage of the PLA Navy's amphibious assault ships.

Combined with those assault ships, China's roll-on/roll-off vessels, by my calculations, could deliver over 300,000 troops to Taiwan in about ten days. And of note, China's biggest ferry companies are formally established as auxiliary fleets of the People's Armed Forces Maritime Military and regularly participate in PLA landing exercises.

In fact, given China's status as the world's largest shipbuilder now, it may be able to build sealift capacity faster than the United States and its allies can respond strategically. Again, in 2022, their shipyards built almost 26 million tons of shipping. This is more than the U.S. emergency shipbuilding program of World War II at its peak when it was supporting fleets thousands of miles from the United States on two fronts.

China's merchant fleet totals more than 400 million tons. China's shipyards have recently resumed serial production of large amphibious assault ships, indicating that China may close the sealift gap more quickly even than anticipated.

In a regional conflict, through

military-civil fusion, China is likely to employ all its tools of maritime power. Instead of only dealing with those amphibious assault vessels, we could face an effort, along with our partners in Taiwan, supported by hundreds of fishing boats, merchant ships, and coast guard vessels.

In terms of policy recommendations to ensure continued deterrence of PRC military aggression, the United States and its allies must visibly prepare for a protracted war. This includes reinvigorated the U.S. industrial base, especially the shipbuilding sector, and designing common, easy to produce weapons and platforms that can't be wrapped up during a protracted conflict.

We should also leverage the shipbuilding and repair capacity of our allies Japan and South Korea. Visible commitment from the United States and its allies and partners is crucial to prevent the Chinese Communist Party from gaining confidence in a quick, decisive victory. I look forward to your questions.

CHAIR BUTLER: Thank you, Mr. Shugart. Next, we have Jeffrey Kucik from the Wilson Center.

MR. KUCIK: Thank you so much for allowing me to comment at today's hearing. I'm Jeff Kucik, a global fellow at the Wahba Institute for Strategic Competition at the Wilson Center here in D.C. At this early stage of the 301 process, I want to stress several policy options in addition to any trade remedies that might be pursued.

America's current maritime vulnerabilities definitely deserve increased attention. The U.S. has fallen behind its competitors, including the People's Republic of China, in every major area, from shipbuilding, to container shipping, to port ownership and terminal access.

Fellow witnesses today have pointed out already three closely related facts. One of those is that the U.S. depends almost entirely on foreign partners to ship its commercial goods and its military equipment around the world. Less than one percent of the global commercial shipping fleet flies an American flag, and the U.S. does not have any company among the 25 largest shipping firms in the world. Contrast that with the fact that the United States is home to three of the world's five largest airlines.

Second, America is desperately lacking in shipbuilding capacity. As we've heard today, it produces less than one percent of commercial ships and suffers backlogs today in both commercial and military orders.

Third, the U.S. owns very little core infrastructure either at home or abroad, including the technology used to monitor shipping around the world. Foreign companies own close to four-fifths of America's domestic terminal capacity, own or operate that capacity, and overseas, China has pursued a proactive strategy of acquiring global ports and now has an ownership interest in approximately 100 ports linking some of the busiest sea lanes around the world, including ports in Europe, Latin America, and the Middle East.

Together, these three facts paint a worrying picture of where we are today. The U.S. does not build enough ships, it does not sail enough ships, and even if it did, it doesn't have enough places to dock those boats.

So, the result is an economic security problem. As the world's largest importer, the U.S. depends heavily on goods carried by foreign partners, and it depends heavily on those same partners to also carry its military equipment around the world, 90 percent of which still travels by ship.

So, in the event of disruptions to major shipping routes such as the Taiwan contingency, the U.S. risks losing access to critical economic and military supply lines. What are some solutions to this problem?

Strategic investment into the U.S. market is needed, but it faces some constraints. Like many critical industries, there simply isn't enough domestic labor or raw materials to be entirely self-sufficient in these areas. This is the same problem faced by semiconductors, pharmaceuticals, and many other critical sectors.

So, the reality of the current market situation is that the U.S. cannot be entirely self-sufficient in this area, at least not at a scale and at a speed that would balance against China's over-capacity. That means any money spent in the U.S. market should be spent strategically and carefully, spending in areas of the marketplace that give the U.S. a competitive advantage in shipbuilding areas that are forward looking.

The U.S. Department of State, for example, already established a green shipping corridors' framework in 2022 to identify ways to reduce container shipping's carbon footprint, but making those corridors a reality requires money. It's expensive to outfit those ships to run on green ammonia and it's expensive to buy that fuel once you have the ships produced.

So, if money is going to be spent at home, it's best spent arguably on forward-looking technologies in specific areas of the shipbuilding industry where the United States can establish a competitive advantage for the future.

At the same time, the U.S. needs to adopt a more outward-facing, proactive approach just like the People's Republic of China has done. That means three things, one, deepen partnerships with allies who have shipbuilding capacity. China already controls a small majority of the global marketplace, but Japan, South Korea, and several European partners all have greater capacity than the United States. Locking in these relationships makes good strategic sense.

Second, align America's trade policy solutions with its development finance efforts. We've mentioned already that the U.S. doesn't have sufficient access or guaranteed access to ports around the international system, and the U.S. lags behind key competitors in investments and trade-enabling infrastructure across emerging markets and developing economies. Greater coordination between offices like USTR and the DFC might make good sense to address this problem.

Third and finally, continue working on regulations of the technology built into shipping infrastructure, including the information collected during the shipping process. Growing control over this information by the People's Republic of China and other competitors gives those competitors a security advantage and a commercial advantage that the U.S. should be thinking about addressing. Thank you so much.

CHAIR BUTLER: Thank you, Mr. Kucik. Turning now to questions, I think the first question goes to State.

MR. HUFFMAN: My question is for Mr. Paul. Can you explain how you came to the 70,000 shipbuilding jobs lost figure that you mentioned?

MR. PAUL: Thank you for the question. I think that's detailed in the petition, but it's gleaned by BLS and other data over a period of decades. It aligns with other steep losses that we've seen in manufacturing industries, but that's where the data originates from. Thank you.

MR. HUFFMAN: Thank you.

MS. NGUYEN: Hi, Vy from Treasury, and this is a question for Mr. Paul as well. You indicated that the economic impacts of China's unfair trade practices include the stunning exit of 25,000 domestic shipbuilding suppliers over the past several decades. Can you explain how you arrived at this figure and can you provide more detail on the suppliers affected?

MR. PAUL: Thank you. I can articulate a bit of that in written comments afterwards, but I will say that's derived from the petition and other related documents. I would note that, as I think other witnesses indicated as well, that the shipbuilding supply chain is both broader and deeper than one might imagine. It includes everything from paint to different parts.

A lot of these firms do business in other sectors outside of shipbuilding as well, say, you know, in aerospace, or automotive, or other types of machines, but it is also consistent with the general degradation we saw of U.S. industrial capabilities since 2000, and it's obviously been felt particularly deep in shipbuilding because of the loss of shipyards and the OEMs that had been present here.

MR. KOZUB: This is another question for Mr. Paul. Some of the comments we received argue that the U.S. shipbuilding industry was in decline years before China started to target the shipbuilding industry for dominance in the early 2000s. What is your response to this argument?

MR. PAUL: There is -- I think it's spurious. I don't believe that it is inaccurate. I mean, it's well-documented that you saw some decline in U.S. shipyards because of the removal of some subsidy program, because of some other types of competition. All of that is quite true.

I think the difference and the uniqueness of the threat of the People's Republic of China is the scale and the degree, both the industrial capabilities that it produces, I mean, it has produced more ships than the number two and the number three producers combined, as well as the breadth and depth of the industrial policies and unfair trade practices, and they permeate through every element from start to finish with respect to shipbuilding and China.

The petition, I think, refers to hundreds of billions of dollars of subsidies, so this dwarfs anything that we had seen before that and represents a really unique threat to the United States.

MR. AU: Mr. Bloom, could you please discuss the condition of the market for shipbuilding steel products?

MR. BLOOM: Thank you for the question. The market is strong, but it could be stronger. As I detailed or outlined in my testimony, Cleveland-Cliffs is a significant producer of both carbon and highly alloyed plate for the commercial shipbuilding industry, also for U.S. Department of Defense contractors.

That being the case, you know, we have significant additional capacity at both Coatesville and Conshohocken, which is largely focused on production of alloy plate for the Department of Defense, but not exclusively. They also produce some carbon plate, as well as from Burns Harbor, which is a big and very capable integrated mill in northwest Indiana that could also be producing additional plate product for shipbuilding, and the benefits of that would be several fold.

First of all, you know, enhanced shipbuilding capabilities would further the economic and national security of the United States, and then from our perspective as a producer of plate, you know, producing a more significant volume of plate, additional volume of plate would have a favorable impact on the economics of running our mills. So, it would be a very, very favorable outcome for our business and our stakeholders, including our steel workers.

MS. MADHUSUDANAN: This is Tanvi from DOE. I also have a question for Mr. Bloom. Are you able to compete with Chinese steel on a level playing field, especially in shipbuilding and repair?

MR. BLOOM: Thank you for the question. We have to use every remedy available to us to fight back against dumped and subsidized steel from China and other nations, you know, so we have an existing trade case covering cut-to-length plate from a number of countries, including China, I believe. I'll clarify that in the post-hearing brief. China is, of course, subject to the Section 232 tariffs, so, you know, Chinese imported plate is subject to a 25 percent tariff under Section 232.

All of those measures help level the playing field in terms of our competitive stance as it relates to Chinese plate, but we're constantly vigilant and looking to use every tool that we have at our disposal to address, you know, rampant dumping and subsidization of Chinese plate that winds up here in our domestic market.

MR. REYNOLDS: This question is for Mr. Young. SEA Europe, the Shipyard and Maritime Equipment Association, recently stated that because of substantial price differentials of 30 to 40 percent, combined with advantageous financial incentives, especially offered by Chinese banks, European ship owners have increasingly opted for Asian shipbuilders.

As a result, European shipyards have seen a significant decline in orders. This trend not only poses a substantial economic risk, but also undermines Europe's strategic autonomy. Do you have any views on that comment?

MR. YOUNG: To be honest, not immediately, but I would say that I do recognize the, we do recognize the general dynamic that you've described in the industry submission.

European shipyards have also seen business lost to competitors in Asia, and there are some markets where our shipyards are still strong such as cruise ships and others where the business has essentially moved to other competitors.

Now, if that's the result of normal competitive practices, you might say fine, but if it is the outcome of distorted subsidies or other trade distorted interventions then, of course, it is of concern for us. And as I said in the intervention, I mean, we are keen to work with the United States and with other like-minded countries to maintain a level playing field in this sector, and to manage the risk of distortions caused by unfair competition.

MR. REYNOLDS: Thank you.

MR. HUFFMAN: Stu Huffman from the State Department again, another question for Mr. Young. The EU has expressed concern with Chinese dominance in the steel, aluminum, solar, battery, and EV sectors. Is the EU concerns with China's current dominance in the shipbuilding, maritime, and logistics sectors?

MR. YOUNG: I would say in the first place, the EU is concerned with its own competitiveness and its own sort of resilience in terms of its industrial key strategic sectors. I would not at this point venture to say it's the result of just one single factor, but obviously the competitive pressure exerted by China and others is an element in the headwinds which our industries have faced.

MR. HUFFMAN: Thank you.

MS. SCHAEFER: Question for Mr. Shugart. Are the same workers, equipment, facilities, technology, and other resources used to build both commercial and military ships in China?

MR. SHUGART: Well, China's pretty opaque about how exactly they build their ships. I've spent a lot of time looking at satellite imagery and it's hard to know which exact workers are doing what, but they are built in the same shipyards.

You can quite plainly see, for example, China's newest aircraft carrier, which just went on sea trials, being built in a dock right next to a container ship being built for a Taiwanese company, which was kind of interesting to see. So, they do certainly share the same shipyards. I would be very surprised if the workers are not intermingled as well, at least on some portions of the shipbuilding process.

MR. AYALA: So, my question is for Thomas Shugart. What is your current evaluation with China's acts, policies, and practices on the U.S. economic and national security?

MR. SHUGART: Well, I'm an expert in the military balance, so I'll stay away from the economic angles, but it's very clear that China is engaged in a military build, the likes of which we have not seen in really, certainly since the Cold War. It's clearly meant with us in mind.

We see China building numbers of weapons, in particular, intermediate-range ballistic missiles and medium-range ballistic missiles at numbers that are only suitable for launching a major war against the United States and our allies.

We see weapons systems that are clearly built specifically to strike American targets. We see them on their ballistic missile impact ranges in western China. We see them practicing on mockups of specific U.S. and allied aircraft and specific, in fact, mockups that mirror U.S. bases in Japan.

So, the buildup that is underway does appear to have us in mind. China doesn't say this out loud. They say that they are preparing their campaigns against the powerful enemy, which there's not a great deal of allusion in my mind about what that's about, but it does seem like it's pointed at us and the trend lines are not good.

MR. AYALA: Thanks.

MS. VALENTINE: Question for Mr. Kucik, please. Can you explain for us the economic costs of over-reliance on Chinese shipping and shipbuilding?

MR. KUCIK: I'd love to follow up in written response to that in greater detail, but the short answer is that there is economic risks, which is over-reliance on shipping lanes that are subject to closure in times of political crisis.

In terms of the real economic impact that we see day to day on the current economy, I think we've heard that from my colleagues here at the other table. We can think about that in terms of lost jobs or at least slower job growth than we might otherwise see because of over-production abroad, and we also see that in terms of wage stagnation.

So, it's not just whether you've lost a job. It's also how good is that job measured in terms of how much is that person being paid? And I think part of the labor shortage we're facing in shipping and other critical sectors around the U.S. economy is, at the end of the day, partly about wages, and that can't be separated from global pressures.

MR. AYALA: So, my next question is also for Jeffrey Kucik. What is the potential that China could use its ownership interests in ports and logistics to its own advantage and to the disadvantage of the United States?

MR. KUCIK: I think there are several dimensions to that, but one of them I think that's especially important is just information, so who controls information on what's being shipped from where to where, when, how much of it, who's buying it.

And it's not also just about ports along our coasts, by the way. It's also increasing control of information about what happens to those goods once they're put on a truck or a train and sent somewhere inland.

So, I think that's one of the key areas that we need to be thinking about, which is not just who owns the port, but what kinds of technologies are installed, and these products are increasingly smart, so that's something we have to be paying attention to. Thank you.

CHAIR BUTLER: Okay, I think that concludes our questions. Thank you to this panel. I think that actually concludes us for the day. I just want to see if my colleagues have anything else?

Thank you to this panel and thank you to the two previous panels. Obviously, we couldn't do this without the witnesses, so we really appreciate you taking the time and coming and sharing your views. As a reminder, our post-hearing comments are due June 5, and with that, I think we are adjourned, so thank you.

(Whereupon, the above-entitled matter went off the record at 2:15 p.m.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: China's Practices Targeting the Maritime Sector

Before: USTR

Date: 05-29-24

Place: Washington, DC

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate complete record of the proceedings.

Neal R Gross

Court Reporter

Section 301 Investigation: China's Acts, Policies, and Practices Targeting the Maritime, Logistics, and Shipbuilding Sectors for Dominance

Erratum to Transcript for Public Hearing held at the U.S. International Trade Commission 500 E Street S.W., Washington DC 20436 May 29, 2024, 10:00 a.m.

- 7:20: Federal Register at 89 Fed. Reg. 29424.
- 16:1: then, ~~we~~ {they} were really background issues that we
- 16:19: package known as ~~logging~~ {LOGINK} that allows for insights
- 26:15: ~~off~~ {of} a level playing field in the global markets.
- 28:8: emerging challenges. However, in the ~~fact~~ {face} of
- 31:20: dominate {the} back-level market
- 42:21: in {an} emergency.
- 55:19: Bavari, ~~CBT~~ {CBP} under DHS.
- 58:13: ~~UMC~~ {OMC} would like to provide greater
- 58:20: fees on Chinese made vessel{s} registered, owned,
- 59:14: Remedial measures would also ~~be~~ put~~,~~
- 59:19: refrain from ~~implanting~~ {implementing} a
- 70:13: shipbuilding market, is ~~40~~ competitive is a clear
- 71:12: major ~~filler~~ {filer} of
- 71:15: was ~~fielded~~ {filed}
- 73:12: China's policy ~~have~~ {has} no impact
- 74:6: a similar trend according to the data from ~~CIS~~ {CRS}
- 81:4: some vessels that navigate the Great Lakes {were} built
- 81:10: {be} from $40 to $60 million a vessel.
- 94:3: Chinese members, and ~~a~~ foreign owned members.
- 104:8: ~~202~~ {2024} Clarksons Research indicating that China
- 114:6: between 30 and 40 percent of global {tonnage} in key
- 114:20: With the recent reorientation ~~or~~ {of} EU
- 118:18: We trust that when the ~~times~~ {time} comes for
- 121:22: shipyards, this pace is unlike{ly} to slow in the
- 122:14: China will close the gap ~~and seat of~~ {in sealift} capacity
- 124:11: includes ~~reinvigorated~~ {reinvigorating} the U.S. industrial base
- 137:21: and EV sectors. Is the EU ~~concerns~~ {concerned} with China's

TESTIMONY OF REPRESENTATIVE DONALD NORCROSS
MEMBER OF CONGRESS (NJ-01)
CO-CHAIR, CONGRESSIONAL LABOR CAUCUS
Before the
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
SECTION 301 INVESTIGATION: CHINA'S ACTS, POLICIES, AND PRACTICES TARGETING THE MARITIME, LOGISTICS, AND SHIPBUILDING SECTORS FOR DOMINANCE

May 29, 2024

Thank you for the opportunity to testify today on this important issue: the People's Republic of China's (PRC) unfair trade practices in the maritime, logistics, and shipbuilding sector, and their impact on the United States.

As Co-Chair and Co-Founder of the Congressional Labor Caucus, and as a member of the House Armed Services Committee, I know that American workers can compete with anyone when the playing field is level. And that is why I am testifying before you today.

A strong domestic shipbuilding industry supports good jobs and promotes supply chain resiliency. In addition to direct shipbuilding jobs, the commercial shipbuilding industry also supports good jobs in manufacturing structural steel, paint, electrical cable, and other important products.

In 1975, the United States was a leader in global shipbuilding, employing over 180,000 workers—many in good, union jobs—and securing more than 70 commercial ships orders annually. But, in recent decades, the United States has lost over 70,000 shipyard jobs. The United States used to have 28 shipyards, and today we only have seven. The United States accounts for only 0.15 percent of global commercial ship construction, which ranks 19th worldwide.

Unfortunately, the PRC's unfair trade practices are a key reason for the decline in U.S. shipbuilding and a chief obstacle towards revitalizing this important industry. In 2006, the Chinese Communist Party (CCP) designated shipbuilding as one of seven 'strategic industries,' and, in 2015, the PRC identified shipbuilding as one of ten priority sectors in which the country would seek to dominate global commerce by 2025.

Accordingly, the PRC adopted an aggressive strategy to develop its shipbuilding industry, including policy loans from state-owned banks, equity infusions and debt-for-equity swaps, the provision of steel plate from state-owned steel producers at below market prices, tax preferences, grants, and lavish financing from China's state-owned export credit agencies. The PRC has also given its domestic shipbuilding industry unfair advantages by mandating the purchase and use of Chinese ships by Chinese state-owned shipping enterprises and state-owned oil companies.

And the numbers bear this out. CCP support for shipbuilding provided over $130 billion in funding just between 2010 and 2018; between 2018 and the present, China's shipbuilding orders have grown to 50% of world production. As of 2022, Chinese shipyards have orders for over

1,500 ships. The U.S. now produces 10 oceanic commercial vessels per year, while China produces over 1,000. China has more than 5,500 flagged merchant vessels in oceangoing service; the U.S. has fewer than 80.

This loss of commercial shipbuilding capacity in the United States also has a negative impact on our merchant marine and naval shipbuilding programs. For example, the U.S. Navy has had to purchase PRC-produced drydocks to repair and maintain U.S. naval vessels, while the U.S. government is also purchasing PRC-made ships that would be used to supply the military with fuel during times of conflict or national emergency.

The PRC's unfair trade practices, if unchecked, will make it impossible for the U.S. shipbuilding industry to recover. These acts, policies, and practices are unreasonable, unfair, inequitable, and discriminatory, and they have burdened and restricted U.S. commerce.

The Office of the United States Trade Representative (USTR) plays a critical role in enforcing U.S. trade laws. As USTR pursues its Section 301 investigation into the PRC's trade practices, I encourage you to consider this evidence and the importance of fostering a strong, domestic shipbuilding industry in the United States.

Thank you for your time and attention to these important issues.

Rep. Joe Courtney Testimony, 5/29/2024

Members of the Section 301 Committee, thank you for the opportunity to testify today on this important issue: the People's Republic of China's (PRC) unfair trade practices in the maritime, logistics, and shipbuilding sector, and their impact on the United States.

As the Member of Congress representing Connecticut's Second Congressional District, I know how important a strong domestic shipbuilding industry is to support good jobs and to promote supply chain resiliency. During my tenure in Congress, I have co-chaired the Congressional shipbuilding caucus, whose mission is to promote not only Navy and Coast Guard shipbuilding, but also to grow our commercial shipbuilding, such as advocating for the Jones Act and the MARAD stipend programs for our nation's "Ready Reserve Fleet".

Unfortunately, these efforts have not stemmed the steady decline of the United States commercial shipbuilding industry over the years. Any even casual observer can see that the PRC's unfair trade practices have significantly contributed to this decline.

In the last 22 years, the PRC has led a campaign of subsidization, strategic targeted investment, and other related policies with the aim of dominating global shipping and advancing the goals of the Chinese Communist Party (CCP). This effort to dominate global shipping has resulted in the PRC's shipbuilding industry increasing from less than 10 percent of global shipbuilding capacity to nearly 50 percent in the year 2024. Several PRC policies, including anticompetitive practices, preferential loans from China's state banks, the provision of subsidized steel, and additional financing from PRC have fueled China's current capacity and increased the global market dependencies on PRC industry for shipbuilding and maritime transport of goods at the expense of the United States and our allies.

Over the last 20 years, the PRC's overall policy support for its state-owned enterprises in shipbuilding and supplying industries have increased the PRC's production capacity to over 1,000 ocean-going vessels a year, while the United States' share of the market continues to decrease. The PRC's anti-competitive practices directing mergers among the largest state-owned steel and shipbuilding firms encourages PRC monopolization of the commercial shipbuilding industry and have led to the loss of export market share of goods used in commercial shipbuilding. For example, U.S. exports of diesel and semi-diesel marine engines dramatically decreased over the last two decades and U.S. manufacturers have exported fewer than 100 marine engines to China in 2021 and 2022.

Commercial shipping is also a significant transportation mode for American exports and global commerce. Forty percent of U.S. international trade by value and seventy percent by trade weight is moved by commercial ships. Additionally, ninety percent of U.S. military equipment and materiel travel by sea. Since the COVID-19 pandemic impacted every sector of the economy, Americans' focus on supply chain fragility has made it even more clear that our nation must strengthen our domestic shipbuilding and supply capabilities to protect American interests.

Due to the loss of our domestic shipbuilding infrastructure, U.S. shipyards and suppliers do not have the capacity to replace ships lost in combat or the ability to supply our own needs, much less those needs of our friends and allies. A vibrant domestic commercial shipbuilding industry will allow our country to ensure that a resilient supply chain remains available in times of need.

The Office of the United States Trade Representative (USTR) plays a critical role in enforcing U.S. trade laws. As you can see, the facts clearly demonstrate that the CCP's unfair trade practices have unfairly harmed the U.S. commercial shipbuilding industry. As USTR pursues its Section 301 investigation into the PRC's trade practices, I encourage you to consider this evidence and the importance of fostering a strong, domestic shipbuilding industry in the United States.