

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

2 (10:08 a.m.)

3 CHAIR GRIMBALL: Good morning, and
4 welcome.

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

12 On March 12th, 2024, five labor unions
13 filed a Section 301 petition regarding the acts,
14 policies, and practices of China to dominate the
15 maritime, logistics, and shipbuilding sector.

16 The petition was filed pursuant to Section
17 302(a)(1) of the Trade Act of 1974, and requests
18 action pursuant to Section 301(b) of the Trade
19 Act.

20 The petition alleges that China
21 targets the maritime, logistics, and shipbuilding
22 sector for dominance and engages in a wide range

1 of unreasonable or discriminatory acts.

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

4 CHAIR GRIMBALL: Sure.

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

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

15 The United States Trade Representative
16 initiated this investigation on April 17th, 2024,
17 in the Federal Register Notice published on April
18 22nd, 2024, announcing the initiation. USTR also
19 invited written comments and announced this
20 hearing.

21 The April 22nd notice invited comment
22 on a number of issues going to the question of

1 whether the issues raised in the petition are
2 actionable under the statute.

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

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

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

21 The purpose of today's hearing is to
22 receive public testimony regarding the issues

1 raised in the April 22nd notice and in the
2 petition. The Section 301 Committee will
3 carefully consider today's testimony, all written
4 comments in response to the Federal Register
5 notice, including post-hearing rebuttal comments.

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

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

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

17 After the Section 301 Committee has
18 completed its work, the committee will make a
19 recommendation to the trade representative on
20 whether the acts, policies, and practices are
21 actionable under the statute. Specifically, if
22 it is determined under the statute that the acts,

1 policies, and practices are actionable, the U.S.
2 Trade Representative will determine whether
3 action is appropriate and, if so, what action to
4 take under Section 304 of the Trade Act, which
5 would involve an additional notice and comment
6 period.

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

11 If you would please introduce
12 yourselves.

13 MR. REYNOLDS: Tobias Reynolds,
14 Department of Commerce.

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

17 MS. SCHAEFER: Sonja Schaefer,
18 Department of Labor.

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

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

1 MR. MADHUSUDANAN: Tanvi Madhusudanan,
2 Department of Energy.

3 MS. NGUYEN: Vy Nguyen, Department of
4 Treasury.

5 MR. HUFFMAN: Stu Huffman, Department
6 of State.

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

10 So, I will begin with procedural and
11 administrative instructions.

12 The hearing is scheduled for one day,
13 Wednesday, May 29th. The April 22nd notice
14 indicated that post-hearing comments will be due
15 7 days after the last day of the public hearing.
16 Because this hearing will only last one day,
17 post-hearing comments, again, are due June 5th.

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

22 Between the first panel of witnesses,

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

5 We will have a brief break between
6 panels, and we will take a 50-minute lunch around
7 12:30, from 12:30 to 1:15.

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

14 The yellow light means that you have
15 1 minute left.

16 And the red light means that you time
17 has expired.

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

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

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

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

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

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

21 We are honored to have the
22 participation of several members of Congress in

1 these hearings. As I just mentioned, we will
2 receive testimony from Senator Tammy Baldwin of
3 Wisconsin. And this afternoon, we will receive
4 testimony of Representative Debbie Dingell of
5 Michigan's 6th District.

6 We also note for the record that we
7 have received written testimony from
8 Representative Donald Norcross of New Jersey's
9 1st Congressional District, and Representative
10 Joe Courtney of Connecticut's 2nd District.

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

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

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

20 Thank you.

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

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

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

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

18 The almost 5,000-page petition offers
19 an inventory of PRC practices which are a part of
20 the Transportation Great Power Strategy. The
21 nature of China's policies and practices goes far
22 beyond subsidies. Although those are enormous

1 and they, on their own, have a devastating
2 impact, it is the entire suite of policies that
3 undermine our overall economic and national
4 security interests.

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

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

20 America, indeed the world, witnessed
21 the importance of transportation, logistics, and
22 maritime policies during the pandemic. Before

1 then, we were really background issues that we
2 all mostly took for granted. When you ordered
3 products, they arrived. Of course, major
4 corporations and governments looked at logistics
5 in a more granular fashion, but ownership and
6 control issues were routinely ignored.

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

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

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

1 and national security.

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

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

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

18 My members work across shipbuilding
19 supply chains. They also build military vessels
20 in Newport News. While final ships and some of
21 the equipment they use differ, the defense
22 industrial base is a range of capabilities that

1 are not silos.

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

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

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

21 We also have to invest in our
22 workforce. The skills needed aren't siloed. And

1 restoring our workforce capabilities is critical,
2 not only for commercial capabilities, but for
3 military shipbuilding, repair, and maintenance as
4 well.

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

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

19 Thank you.

20 CHAIR GRIMBALL: Thank you, Mr.
21 McCall.

22 As I mentioned, we are now going to

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

5 SENATOR BALDWIN: Good morning.

6 CHAIR GRIMBALL: Good morning.

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

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

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

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

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

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

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

1 2022.

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

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

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

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

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

21 When a shipyard loses business or the
22 production of essential parts and those head

1 overseas, we lose good-paying union jobs. But we
2 also lose the knowledge of each tradesman who has
3 found careers and planted roots in our
4 communities. For years, China has gotten away
5 with tilting the playing field. And it is
6 American workers and our national security that
7 are paying the price.

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

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

14 CHAIR GRIMBALL: Thank you, Senator
15 Baldwin.

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

18 MR. SULLIVAN: Good morning.

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

1 Aerospace Workers, or the IAM.

2 The IAM represents approximately
3 600,000 active and retired members across a wide
4 variety of industries, including aerospace,
5 transportation, and shipbuilding. Our members
6 work on the forefront of our nation's industrial
7 base, building critical platforms on which our
8 men and women in uniform rely. They work every
9 day to support the military and commercial
10 shipbuilding sectors, not only in terms of
11 production but also providing critical
12 maintenance and repair services.

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

18 The IAM applauds the U.S. Trade
19 Representative's decision to launch a 301,
20 Section 301 investigation into China's
21 unreasonable and discriminatory acts aimed at
22 control and dominance of the marine maritime,

1 logistics, and shipbuilding sectors. I have seen
2 firsthand the impacts of their unfair policies on
3 U.S. shipbuilding and our vital defense industry
4 base.

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

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

21 China's merchant fleet has grown from
22 roughly one-twentieth of the world's fleet in

1 early 2000 to one-seventh today, with more than
2 5,500 merchant ships in service. For context,
3 over that same period, U.S. flag ships, ocean-
4 going vessels decreased by more than half,
5 sitting at less than 100 today.

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

17 As U.S. shipyards close or are left to
18 compete for a mere handful of naval and coast
19 guard contracts, the capacity to meet future ship
20 production needs is further eroded. Without
21 action, this strategically important democratic -
22 - this strategically important domestic industry

1 will be put even further at risk as skilled labor
2 and know-how is lost and supply chains are
3 withered.

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

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

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

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

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

13 Thank you.

14 CHAIR GRIMBALL: Thank you.

15 Mr. Clements, you have the floor.

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

19 The MTD is one of the petitioners that
20 filed for relief under Section 301 of the Trade
21 Act of 1972, as amended, regarding China's acts,
22 policies, and practices targeting the

1 shipbuilding sector for anti-competitive
2 behavior.

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

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

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

22 The MTD's membership in the

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

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

21 The USTR should take swift and
22 decisive action to counteract China's unfair and

1 discriminatory acts, policies, and practices to
2 give our domestic shipbuilding industry and
3 workers a chance to compete, to rebuild our
4 shipbuilding base, and further safeguard our
5 national and economic security. USTR should be
6 sure that any relief measures taken will be
7 focused on bringing shipyard jobs back to the
8 United States. Other related jobs will follow.

9 Thank you.

10 CHAIR GRIMBALL: Thank you, Mr.
11 Clements.

12 Now, we will proceed with Ms. Conroy.

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

19 Boilermaker members have served on the
20 front lines of American shipbuilding for
21 generations and have witnessed firsthand the
22 hollowing out of our maritime, logistics, and

1 shipbuilding sectors in the face of unfair
2 foreign competition.

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

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

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

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

19 We are here today calling for action
20 to reverse these trends. The United States needs
21 a healthy and revitalized maritime industry
22 capable of meeting the commercial and defense

1 needs of our nation for years to come. We, the
2 boilermakers, and others, are still enduring the
3 aftershocks from when the Avondale Shipyard in
4 Louisiana was closed in 2014, just ten years ago.

5 At one time, that yard employed over
6 26,000 people as one of the top employers in the
7 state of Louisiana. With that closure, the U.S.
8 lost yet another shipyard capable of building,
9 repairing, and maintaining large commercial and
10 specialty vessels. That workforce and capacity
11 loss has yet to be restored.

12 While workers were laid off and U.S.
13 industries struggled to remain afloat, China was
14 pushing its shipbuilders to new heights. From
15 2014 to 2022, the world's overall gross tonnage
16 of ships built declined by roughly 12.5 percent,
17 yet China's yards increased their production by
18 over 13 percent, driving up their global market
19 share over that period by yet another 10
20 percentage points.

21 While our yards closed, China was
22 pushing a scrap and build program to prop up

1 their shipyards and further incentivize
2 purchasers to buy ships from state-owned yards,
3 while state-owned banks were extending tens of
4 billions of dollars in credit to Chinese
5 shipbuilders.

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

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

21 It is time to rectify that. If we
22 have any hope of rebuilding a robust domestic

1 maritime capacity that is ready to meet the
2 economic and national security challenges of the
3 next century, strong, resolute action is needed
4 by our leaders against China's massive market-
5 distorting practices.

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

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

18 Thank you for holding this hearing
19 today.

20 CHAIR GRIMBALL: Thank you, Ms.
21 Conroy.

22 Mr. Ohlson, you have the floor.

1 MR. OHLSON: Thank you.

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

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

19 The AFL-CIO is a federated body of 60
20 union affiliates representing 12.5 million
21 working people across our country. When a global
22 competitor engages in unfair or predatory trade

1 and economic practices, our union's members are
2 often the first to feel the impact.

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

10 The Chinese Government policies have
11 hurt workers across these industries.

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

20 About a third of total industry costs
21 are materials and supplies. Large ocean-going
22 ships require an immense amount of steel, paint,

1 glass, rubber, aluminum, electronics and
2 countless other manufactured inputs, not to
3 mention the logistics of bringing all these
4 products to the shipyard.

5 Since 2000, world container shipping
6 capacity has grown six-fold, from 4.3 million in
7 twenty-foot equivalent units to 25.8 million in
8 2022. This should have been a prime opportunity
9 to expand domestic commercial shipbuilding and
10 related supply chains, but our shipbuilding
11 industry has not benefitted from this rapid
12 growth. Instead, U.S. production has fallen
13 while Chinese shipbuilders, fueled by a litany of
14 discriminatory practices have grown from around 5
15 percent of the global market to capture over 50
16 percent of world production, and climbing.

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

22 One study found the PRC provided more

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

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

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

17 There are also credible reports
18 linking industries like aluminum and steel to
19 state-sponsored forced labor. The PRC's
20 repression of labor unions and use of forced
21 labor are not only egregious violations of
22 international labor and human rights laws and the

1 dignity of working people, but are also a form of
2 unfair competition that suppresses wages and
3 undermines standards.

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

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

22 It is deeply concerning that since

1 2000, the privately-owned ocean-going U.S. flag
2 fleet has more than halved. There are
3 opportunities on the horizon to leverage new
4 demand into economic activities and good jobs at
5 U.S. shipyards. For instance, offshore wind
6 deployment will require billions of dollars'
7 worth of vessels. But as we learned from the
8 expansion of container shipping in recent
9 decades, new demand without a level playing field
10 will not result in increased orders for our
11 yards.

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

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

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

5 Thank you for your time and
6 consideration.

7 CHAIR GRIMBALL: Thank you, Mr.
8 Ohlson.

9 And thank you to the panel.

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

15 So, we will proceed with questions at
16 this time.

17 MR. AU: Thank you.

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

22 Could you elaborate on how China is

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

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

15 MR. AU: Thank you.

16 MS. NGUYEN: Hi. This is Treasury.

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

22 What is your response to that

1 argument?

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

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

16 Since 1981, there has been one new
17 Laker that has entered the, entered that
18 particular market, and built by steelworkers
19 using steelworker -- using steel made by
20 steelworkers at Cleveland-Cliffs, painted
21 Sherwin-Williams, fiber optics at some of our
22 facilities, and other valves from Hunt Valve,

1 rubber, and glass that we make that we can no
2 longer produce because they, frankly, put it out,
3 put us out of business with their practices and
4 their subsidies.

5 MS. NGUYEN: Thank you.

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

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

13 Can you elaborate on that?

14 MR. SULLIVAN: Yes. Thank you.

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

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

20 So, when I say that it hollows out, I
21 mean the workforce that we have is aging, so
22 we're trying to bring in new workers into the

1 workforce and into this shipbuilding stream.
2 They have to have a future. They have to be able
3 to know that they come in here and they are going
4 to dedicate their lives to building ships, that
5 there is going to be work there for them in the
6 future.

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

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

18 MR. REYNOLDS: Thank you.

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

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

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

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

22 So, they can just keep writing checks

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

3 I hope that answered your question.

4 MR. AU: Yes. Thank you.

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

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

12 How would you respond to that?

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

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

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

22 MR. REYNOLDS: Question for Mark

1 Clements.

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

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

9 MR. REYNOLDS: All right. Thank you.

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

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

16 Can you please discuss that further?

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

20 But in short, if we're not producing
21 enough ships in the U.S. under the U.S. flag,
22 those opportunities will go to the global

1 maritime workforce instead, especially if you're
2 talking about flag of convenience shipping.

3 Thank you.

4 MR. HUBLER: Thank you.

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

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

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

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

16 Thank you.

17 MS. MADHUSUDANAN: Thank you.

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

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

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

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

9 MR. OHLSON: Thank you for the
10 question.

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

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

21 So, we see, you know, the impacts with
22 suppressed wages throughout shipbuilding as well

1 as steel, aluminum and other critical inputs.
2 So, I wouldn't say it's specific to this sector,
3 but because it is so pervasive, it does have a
4 dramatic impact.

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

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

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

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

20 We can get exact numbers for you. I
21 know a few of our -- we work with a few different
22 think tanks and other folks who have looked at

1 this and have more specific numbers. We'll be
2 happy to get that to you.

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

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

8 Thank you.

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

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

16 MR. REYNOLDS: Tobias Reynolds,
17 Department of Commerce.

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

20 MS. SCHAEFER: Sonja Schaefer,
21 Department of Labor.

22 MR. SMITH: Henry Smith, Office of the

1 U.S. Trade Representative.

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

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

7 MS. MADHUSUDANAN: Tanvi Madhusudanan,
8 Department of Energy.

9 MS. NGUYEN: Vy Nguyen, Department of
10 Treasury.

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

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

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

22 The OMC is an organization

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

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

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

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

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

22 Carbon emissions per ton mile are

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

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

6 And independent study conducted by
7 Martin and Associates in 2023, found that in
8 2022, economic impacts created by all cargo and
9 vessel activity in the Great Lakes and St.
10 Lawrence, supported more than 350,000 jobs,
11 transported 120 billion worth in cargo value, and
12 created \$50 billion in economic value.

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

18 Due to the integrated bi-national
19 shipping routes unique to the Great Lakes, port
20 fees on Chinese made vessel registered, owned,
21 and operated by Canadian companies, would be
22 extremely punitive and run contrary to the

1 principles of free trade and bi-national
2 cooperation, that have been hallmarks of the
3 trade of the Great Lakes for generation.

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

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

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

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

21 Quebec and Ontario based companies
22 which trade with the United States, have invested

1 in fleet renewal for many years.

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

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

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

19 If, as a result of the investigation,
20 the USTR concludes that any further action might
21 be appropriate, the OMC would advocate that such
22 consideration be made with input from bi-national

1 shipping groups between the United States and
2 Canada.

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

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

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

21 Any recommendation or proposed action
22 could have broader impacts on the global shipping

1 industry, and we hope our final report will make
2 allowance for any potential impacts on trading
3 partners like Canada, of the United States.

4 Thank you.

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

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

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

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

22 The fee would be disruptive and

1 harmful to U.S. businesses and their workers, and
2 it is disconnected from the purpose of Section
3 301 remedies, which is to induce changes to
4 foreign acts, policies, and practices.

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

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

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

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

21 Imposing a port fee on Chinese built
22 container vessels constructed in the future,

1 would also not be an effective way to change
2 China's trade practices.

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

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

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

20 By contrast, the proposed port fee
21 could be expected to adversely impact Americans.
22 The fee could reduce competition for ocean cargo

1 transportation if companies with larger numbers
2 of Chinese built vessels choose temporarily or
3 permanently, to discontinue serving certain U.S.
4 routes.

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

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

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

18 For a ship making four U.S. port calls
19 per route, that would add up to almost \$1,400 per
20 40-foot container of ship capacity. Fees of this
21 size would be impactful.

22 The port fee would also raise shipping

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

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

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

14 Setting aside the fact that Section
15 301 should not be used as a backdoor method of
16 raising revenue from specific industries, the fee
17 would fail as a method of funding shipbuilding
18 revitalization.

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

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

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

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

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

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

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

1 Mr. Xia?

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

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

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

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

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

18 Representing over 95 percent of total
19 shipbuilding output in China.

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

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

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

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

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

19 The decline of the U.S. shipbuilding
20 industry is not directly related to the
21 development of that of China. China has provided
22 a broad space for the Sino-U.S. operation in

1 maritime sector, which is valuable for U.S.
2 companies.

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

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

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

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

21 But the building capacity of grain
22 ships is insufficient. A global commercial

1 shipbuilding value chain including ship design,
2 construction, equipment storage, and maritime
3 stories, et cetera, has been forwarded from the
4 based on the industry specialization, and the
5 cooperation. It provides the opportunity for the
6 environments of various countries, based on their
7 own advantages.

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

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

22 China is building ships participated

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

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

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

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

19 Thank you.

20 CHAIR TSAO: Thank you, Mr. Xia.

21 Mr. Zhang?

22 MR. ZHANG: Good morning, Mr. Chair,

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

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

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

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

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

1 2001. But decline of U.S. shipping industry
2 began much earlier. The petitioner themselves
3 knows that the tonnage carried by U.S. flag fleet
4 had already dropped to 2 percent by 2003.

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

10 This figure clearly contradicts the
11 petitioner's claim that the development of a China
12 shipping industry harmed U.S. interests, which
13 should be enough for USTR to decline to impose
14 any relief.

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

18 Imposing a one million U.S. dollar
19 port fee on Chinese built vessels, which are owned
20 and operated by a ship owner around the world,
21 would add a possible 10 billion U.S. dollars in
22 cost to each year. This will raise costs on each

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

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

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

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

21 Thanks, I appreciate the opportunity
22 to present these comments, and we look forward to

1 your questions.

2 Thank you.

3 CHAIR TSAO: Thank you, Mr. Zhang.

4 Mr. Yu, whenever you're ready.

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

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

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

18 In terms of China's shipbuilding
19 industry, its development is driven by the
20 increased amount of international trade. After
21 China joined the WTO, from 2001 to 2013, China's
22 merchandise trade value rose from the 14th to the

1 first place globally. Such rapid growth in
2 global transport tripled the amounts and new
3 shipbuilding needs, prior to the development of
4 China's maritime logistics and the shipbuilding
5 industries.

6 And China's development does not
7 hinder or burden the development of U.S.
8 shipbuilding industry, whose development is
9 independent from China's. As data shows, from
10 2001 to 2012, the compounded annual growth rate
11 of U.S. ship exports was 5 percent. As for ship
12 exports from 2011 to 2020 where China had a 40
13 percent decline, U.S. had a 25 percent decline.

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

18 As explained in CCCME's comments,
19 China's shipbuilding industry is fully
20 internationalized, and ship price fluctuated with
21 the market. All ships built for exports comply
22 with the international standards and at the

1 amounts of the customers. From 2005 to 2023, the
2 average export price of Chinese passenger and
3 cargo ships rose from four million USD to 25
4 million USD.

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

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

18 Also, China-made cranes are safe.
19 Cranes are built and delivered strictly according
20 to customer specified technical specifications.
21 And, a core competence are provided by customer
22 designated suppliers. This is also supported by

1 evaluations from industry professionals in U.S.,
2 and India.

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

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

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

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

21 Undermine international supply chains,
22 and harming multi-lateral trade, and impacting

1 global economy.

2 CCCME sincerely hopes that the USTR
3 can listen to the voices of all industry
4 stakeholders, and carefully consider this Section
5 301 investigation.

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

10 Thank you.

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

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

15 First question?

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

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

22 And if so, how much does it cost to

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

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

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

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

11 MR. HUBLER: Thank you.

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

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

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

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

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

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

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

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

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

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

21 MR. SMITH: All right, thank you.

22 Henry Smith from USTR. This question

1 is also for Mr. Kramek.

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

6 MR. KRAMEK: Thank you.

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

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

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

19 You indicated in your submission that
20 China's price advantage in shipbuilding comes
21 from lower manufacturing costs. And that in
22 2005, Chinese labor costs were 1/18th of U.S.

1 labor costs.

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

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

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

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

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

16 MS. NGUYEN: Thank you.

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

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

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

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

6 MR. REYNOLDS: Of course.

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

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

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

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

22 And, in my view, this kind of policies

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

4 MR. REYNOLDS: Thank you.

5 MS. SCHAEFER: Question for Mr. Yu.

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

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

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

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

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

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

1 Chinese state owned, invested, or controlled?

2 MR. YU: Thank you for your question.

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

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

13 MS. SCHAEFER: A question for Mr. Xia.

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

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

20 MR. XIA: Thank you.

21 I'm sorry that I cannot ask, I'm not
22 authorized to answer your questions. But I will

1 note your question, and we will respond in
2 writing from after the hearing.

3 Thank you.

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

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

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

13 How do you respond to that?

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

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

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

22 MR. XIA: Okay, we will respond in

1 writing from after hearing.

2 Thank you.

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

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

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

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

13 Thank you.

14 MS. MADHUSUDANAN: Thank you.

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

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

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

22 Thank you.

1 MR. SMITH: Henry Smith, from USTR.

2 This question is for Mr. Xia.

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

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

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

10 Thank you.

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

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

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

18 Thank you.

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

21 MR. XIA: Oh, sorry, sorry.

22 MR. ZHANG: This has no such

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

3 MR. REYNOLDS: Thank you.

4 MR. HUBLER: Tyler Hubler, from USDA.

5 This question is also for Mr. Zhang.

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

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

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

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

20 That's my answer.

21 MS. BAVARI: Another question for Mr.
22 Zhang.

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

5 How do you respond?

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

10 (Foreign language spoken.)

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

15 MS. BAVARI: Thank you.

16 MS. SCHAEFER: A question for Mr.
17 Zhang.

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

1 commercial vessels?

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

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

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

14 MS. SCHAEFER: Thank you.

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

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

22 MR. ZHANG: China Shipowners'

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

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

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

15 (Whereupon, the above-entitled matter
16 went off the record at 11:58 a.m. and resumed at
17 1:25 p.m.)

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

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

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

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

1 In 1975, the United States was the
2 leader in global shipbuilding, employing over
3 180,000 workers, and securing more than 70
4 commercial (audio interference).

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

12 In 2006 (audio interference) seven
13 strategic industries, and in 2015, the PRC
14 identified shipbuilding as one of the ten
15 priorities of global commerce by 2025.

16 Accordingly, for its domestic shipbuilding,
17 inferences, grants and many state-owned shipping
18 enterprises and state-owned oil companies.

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

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

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

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

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

22 The result of all of this is that in

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

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

19 CHAIR BUTLER: Thank you,
20 Congresswoman --

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

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

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

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

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

11 MR. KOZUB: Daniel Kozub, Department
12 of Transportation.

13 MS. SCHAEFER: Sonja Schaefer,
14 Department of Labor.

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

17 MS. VALENTINE: Rebecca Valentine,
18 Department of Justice.

19 MS. MADHUSUDANAN: Tanvi Madhusudanan,
20 Department of Energy.

21 MS. NGUYEN: Vy Nguyen, Department of
22 Treasury.

1 MR. HUFFMAN: Stu Huffman, Department
2 of State.

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

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

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

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

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

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

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

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

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

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

19 While no nation should be faulted for
20 seeking to develop maritime capabilities,
21 Beijing's ambitions go well beyond that. China's
22 shipbuilding capacity has been turbo-charged

1 through a series of efforts aligned with five-
2 year plans dating back more than two decades.

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

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

19 China sought this transfer of
20 technology, sometimes through means that are
21 unfair or illegal, such as intellectual property
22 theft, to help bolster its naval buildup, a goal

1 laid out in the 13th national five-year plan of
2 2016. Things are so bad that our own Navy must
3 today rely on Chinese-made dry docks in certain
4 circumstances.

5 The practices I reference have allowed
6 China to capture a massive portion of global
7 shipbuilding orders, with data from May 31,
8 2024Clarksons Research indicating that China
9 secured 76 percent of such orders in April 2024
10 alone. This dominance in the market continues to
11 have a detrimental effect on shipbuilders in
12 other countries, including the United States.

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

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

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

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

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

18 On behalf of Cleveland-Cliffs, I would
19 like to express strong support for the Section
20 301 petition filed by the United Steel Workers,
21 the International Association of Machinists and
22 Aerospace Workers, and Allied Industrial unions.

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

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

16 Cleveland-Cliffs, through its plate
17 operations, supplies both carbon plate and alloy
18 plate for the commercial and military
19 shipbuilding sectors. Our Coatesville mill has
20 produced steel for shipbuilding since 1825 and
21 has supplied the U.S. Navy through its
22 contractors since 1886. In fact, Coatesville

1 produced its first steel order for U.S. naval
2 submarines in 1899. Burns Harbor has produced
3 plate since the establishment of that mill in
4 1964.

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

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

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

1 China's market destroying practices.

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

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

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

22 While the precise amount of our

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

11 I direct the committee's attention to
12 the following excerpt from the Union's Section
13 301 petition on shipbuilding, quote, from 2000 to
14 2022, China's share of new vessels built each
15 year on a global basis rose from less than ten
16 percent to 47 percent, end quote. The petition
17 continued, quote, while Chinese shipyards now
18 produce over 1,000 oceangoing vessels a year, the
19 United States produces less than ten, end quote.

20 Plainly stated, the rapid ascendance
21 of the Chinese shipbuilding sector, fueled by the
22 intervention of the Chinese government and its

1 anti-competitive, nonmarket practices is linked
2 directly to the degradation of the United States
3 shipbuilding industry.

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

9 In closing, on behalf of Cleveland-
10 Cliffs, I respectfully urge USTR and the
11 committee to expeditiously conclude this Section
12 301 investigation and recommend that President
13 Biden impose a remedy applying to Chinese-built
14 ships that will allow the United States to
15 strengthen its shipbuilding industry to the
16 benefit of U.S. economic and national security.
17 Thank you.

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

22 MR. YOUNG: Thank you very much, Mr.

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

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

18 The EU fully understands the
19 importance of the U.S. attaches to its domestic
20 production capabilities in the shipbuilding,
21 maritime, and logistic sectors. Subsidies in the
22 global shipbuilding sector are a longstanding

1 concern for us and for the EU, which is committed
2 to market-based competitive conditions.

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

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

19 The committee also collects and
20 analyzes information on policy and market
21 developments in non-shipbuilding committee
22 economies. Recent reports published in this area

1 have demonstrated the rapid growth of the Chinese
2 shipbuilding industry over recent years and the
3 high number of support measures from which it has
4 benefitted.

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

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

20 European shipping lines are
21 particularly important in the container segment
22 where EU economic operators account for 34

1 percent of the global shipping market, existing
2 fleet and other boats combined. Four of the five
3 largest shipping lines in the world by capacity
4 are based in Europe.

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

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

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

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

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

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

22 The petitioners also advocate greater

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

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

22 Additional restrictions on the

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

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

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

20 The petitioners also highlight that
21 the U.S. could launch negotiations with other
22 major shipbuilding economies to address any

1 concerns about their own government support
2 programs, and to coordinate measures to address
3 China's unfair practices.

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

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

18 We trust that when the times comes for
19 the U.S. to decide what actions to take following
20 this present investigation, it will take all
21 relevant factors into account and avoid imposing
22 measures which would directly or indirectly

1 negatively impact the interests of the EU, EU
2 economic operators, or EU workers, or disrupt
3 supply chains on either side of the Atlantic.
4 Thank you for your attention.

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

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

18 My testimony today will focus on
19 China's extraordinary naval buildup, heavily
20 supported by state subsidies to Chinese state-
21 owned shipbuilding enterprises, and the
22 challenges that the United States faces in

1 addressing this buildup given the decline of the
2 U.S. commercial shipbuilding that's been
3 discussed today. I will also provide policy
4 recommendations to support our national security
5 interests.

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

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

21 While the United States currently
22 retains superiority in hard naval power, this

1 advantage is diminishing. China's naval buildup
2 is reminiscent of the U.S. 600 ship navy effort
3 of the 1980s and China's dual purpose military-
4 civilian shipyards are producing large quantities
5 of warships, including aircraft carriers,
6 advanced destroyers, cruisers, frigates, and
7 submarines.

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

17 My projections indicate that the PLA
18 navy may achieve parity with the U.S. Pacific
19 fleet in terms of tonnage as well within ten to
20 15 years, and I would say that given ongoing
21 expansions of China's dual purpose civil military
22 shipyards, this pace is unlike to slow in the

1 long term.

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

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

20 Combined with those assault ships,
21 China's roll-on/roll-off vessels, by my
22 calculations, could deliver over 300,000 troops

1 to Taiwan in about ten days. And of note,
2 China's biggest ferry companies are formally
3 established as auxiliary fleets of the People's
4 Armed Forces Maritime Military and regularly
5 participate in PLA landing exercises.

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

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

22 In a regional conflict, through

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

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

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

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

4 MR. KUCIK: Thank you so much for
5 allowing me to comment at today's hearing. I'm
6 Jeff Kucik, a global fellow at the Wahba
7 Institute for Strategic Competition at the Wilson
8 Center here in D.C. At this early stage of the
9 301 process, I want to stress several policy
10 options in addition to any trade remedies that
11 might be pursued.

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

19 Fellow witnesses today have pointed
20 out already three closely related facts. One of
21 those is that the U.S. depends almost entirely on
22 foreign partners to ship its commercial goods and

1 its military equipment around the world. Less
2 than one percent of the global commercial
3 shipping fleet flies an American flag, and the
4 U.S. does not have any company among the 25
5 largest shipping firms in the world. Contrast
6 that with the fact that the United States is home
7 to three of the world's five largest airlines.

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

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

1 world, including ports in Europe, Latin America,
2 and the Middle East.

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

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

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

20 Strategic investment into the U.S.
21 market is needed, but it faces some constraints.
22 Like many critical industries, there simply isn't

1 enough domestic labor or raw materials to be
2 entirely self-sufficient in these areas. This is
3 the same problem faced by semiconductors,
4 pharmaceuticals, and many other critical sectors.

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

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

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

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

17 Second, align America's trade policy
18 solutions with its development finance efforts.
19 We've mentioned already that the U.S. doesn't
20 have sufficient access or guaranteed access to
21 ports around the international system, and the
22 U.S. lags behind key competitors in investments

1 and trade-enabling infrastructure across emerging
2 markets and developing economies. Greater
3 coordination between offices like USTR and the
4 DFC might make good sense to address this
5 problem.

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

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

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

21 MR. PAUL: Thank you for the question.
22 I think that's detailed in the petition, but it's

1 gleaned by BLS and other data over a period of
2 decades. It aligns with other steep losses that
3 we've seen in manufacturing industries, but
4 that's where the data originates from. Thank
5 you.

6 MR. HUFFMAN: Thank you.

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

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

1 different parts.

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

11 MR. KOZUB: This is another question
12 for Mr. Paul. Some of the comments we received
13 argue that the U.S. shipbuilding industry was in
14 decline years before China started to target the
15 shipbuilding industry for dominance in the early
16 2000s. What is your response to this argument?

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

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

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

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

19 MR. BLOOM: Thank you for the
20 question. The market is strong, but it could be
21 stronger. As I detailed or outlined in my
22 testimony, Cleveland-Cliffs is a significant

1 producer of both carbon and highly alloyed plate
2 for the commercial shipbuilding industry, also
3 for U.S. Department of Defense contractors.

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

15 First of all, you know, enhanced
16 shipbuilding capabilities would further the
17 economic and national security of the United
18 States, and then from our perspective as a
19 producer of plate, you know, producing a more
20 significant volume of plate, additional volume of
21 plate would have a favorable impact on the
22 economics of running our mills. So, it would be

1 a very, very favorable outcome for our business
2 and our stakeholders, including our steel
3 workers.

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

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

20 All of those measures help level the
21 playing field in terms of our competitive stance
22 as it relates to Chinese plate, but we're

1 constantly vigilant and looking to use every tool
2 that we have at our disposal to address, you
3 know, rampant dumping and subsidization of
4 Chinese plate that winds up here in our domestic
5 market.

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

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

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

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

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

16 MR. REYNOLDS: Thank you.

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

1 and logistics sectors?

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

11 MR. HUFFMAN: Thank you.

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

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

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

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

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

21 We see China building numbers of
22 weapons, in particular, intermediate-range

1 ballistic missiles and medium-range ballistic
2 missiles at numbers that are only suitable for
3 launching a major war against the United States
4 and our allies.

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

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

20 MR. AYALA: Thanks.

21 MS. VALENTINE: Question for Mr.
22 Kucik, please. Can you explain for us the

1 economic costs of over-reliance on Chinese
2 shipping and shipbuilding?

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

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

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

1 separated from global pressures.

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

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

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

18 So, I think that's one of the key
19 areas that we need to be thinking about, which is
20 not just who owns the port, but what kinds of
21 technologies are installed, and these products
22 are increasingly smart, so that's something we

1 have to be paying attention to. Thank you.

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

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

14 (Whereupon, the above-entitled matter
15 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
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Court Reporter

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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 ~~filer~~ {filer} of
- 71:15: was ~~filed~~ {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 ~~of~~ {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 seafight} 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.