Billing Code 3390-F4

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance

AGENCY: Office of the United States Trade Representative (USTR).

ACTION: Request for comments and notice of public hearing.

SUMMARY: USTR requests written comments regarding potential trade action in connection with the Section 301 investigation of China's targeting of the maritime, logistics, and shipbuilding sectors for dominance. USTR also will convene a public hearing and accept rebuttal comments in relation to the potential action.

DATES:

February 21, 2025: Comment period opens.

March 10, 2025: To be assured of consideration, submit requests to appear at a hearing, along with a summary of the testimony, by this date.

March 24, 2025: To be assured of consideration, submit written comments by this date. USTR will hold a public hearing on proposed action in this investigation in the main hearing room of the U.S. International Trade Commission, 500 E Street SW, Washington DC 20436, beginning at 10 a.m.

Seven calendar days after the last day of the public hearing: Submit post-hearing rebuttal comments.

ADDRESSES: Submit documents in response to this notice, including written comments, rebuttal comments, and requests to appear through USTR's electronic portal:

https://comments.ustr.gov/s/. The docket number for written comments and rebuttal comments is USTR–2025–0002. The docket number for requests to appear is USTR–2025–0003.

FOR FURTHER INFORMATION CONTACT: For questions concerning the investigation or issues with online submissions, please contact Chairs of the Section 301 Committee Megan Grimball and Philip Butler, Associate General Counsels Thomas Au and Amanda Lee, or Assistant General Counsels Henry Smith, Anjani Nadadur, or David Salkeld at 202.395.5725.

SUPPLEMENTARY INFORMATION:

I. Background

On March 12, 2024, petitioners[1] filed a Section 301 petition regarding the acts, policies, and practices of China to dominate the maritime, logistics, and shipbuilding sector. The petition was filed pursuant to Section 302(a) of the Trade Act of 1974, as amended (Trade Act) (19 U.S.C. 2412(a)), requesting action pursuant to Section 301(b) (19 U.S.C. 2411(b)). *See* 89 FR 29424 (April 22, 2024). For additional information, the full text of the petition and accompanying exhibits are available at: https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china-targeting-maritime-logistics-and-shipbuilding-sectors-dominance.

On April 17, 2024, after USTR consulted with the appropriate advisory committees and the interagency Section 301 Committee, the U.S. Trade Representative initiated an investigation of China's targeting the maritime, logistics, and shipbuilding sectors for dominance. *See* 89 FR 29424 (April 22, 2024). The U.S. Trade Representative also requested consultations with the

[1] The five labor union petitioners are: the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO CLC (USW), the International Brotherhood of Electrical Workers (IBEW), the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, AFL-CIO/CLC (IBB), the International Association of Machinists and Aerospace Workers (IAM), and the Maritime Trades Department of the AFL-CIO (MTD).

government of China pursuant to Section 303 of the Trade Act (19 U.S.C. 2413). The government of China declined to hold consultations regarding the investigation under this statutory framework.

The notice of initiation solicited written comments on, *inter alia*:

- China's acts, policies, and practices targeting the maritime, logistics, and shipbuilding sectors for dominance.
- Whether China's acts, policies, and practices targeting the maritime, logistics, and shipbuilding sectors for dominance are unreasonable or discriminatory.
- China's efforts to dominate the global maritime, logistics, and shipbuilding sectors, including the upstream and downstream supply chain, as well as shipping services.
- Information on other acts, policies, and practices of China relating to the maritime, logistics and shipbuilding sectors.
- Whether China's acts, policies, and practices burden or restrict U.S. commerce, and if so, the nature and level of the burden or restriction.

The public submissions are available at: https://comments.ustr.gov/s/, docket number USTR-2024-0005. USTR and the Section 301 Committee convened a public hearing on May 29, 2024, during which witnesses provided testimony. A transcript of the hearing is available on the USTR website at: https://ustr.gov/sites/default/files/Hearing%2005292024.pdf.

Based on the information obtained during the investigation, USTR released a public report on the investigation. The report supports the determination that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance is unreasonable and burdens or restricts U.S. commerce and thus is actionable. The report is available on USTR's website at:

https://ustr.gov/sites/default/files/enforcement/301Investigations/USTRReportChinaTargetingMaritime.pdf.

As detailed in the report, for nearly three decades, China has targeted the maritime, logistics, and shipbuilding sectors for dominance and has employed increasingly aggressive and specific targets in pursuing dominance. China has largely achieved its dominance goals, severely disadvantaging U.S. companies, workers, and the U.S. economy generally through lessened competition and commercial opportunities and through the creation of economic security risks from dependencies and vulnerabilities.

Top-down industrial planning and targeting is a critical feature of China's state-led, non-market economic system. China organizes the development of its economy at a high level through broad national-level five-year economic and social development plans. It then employs industry-specific plans that typically align chronologically with the national five-year plans. These plans often contain detailed quantitative and qualitative targets, including for production, domestic content, and domestic and international market shares, and outline the non-market policies and practices China should use to achieve these targets. China's plans reveal its targeting of the maritime, logistics, and shipbuilding sectors for dominance.

Market share targets necessitate substitution by Chinese companies at the expense of foreign competitors – for Chinese companies to gain market share, they must displace foreign companies in existing markets and take new markets as they develop in the future. China's industrial targets have become more aggressive and sophisticated over the years.

China's targeting of these sectors for dominance has undercut competition and taken market share with dramatic effect: raising China's shipbuilding market share from less than 5 percent of global tonnage in 1999, to over 50 percent in 2023; increasing China's ownership of the commercial world fleet to over 19 percent as of January 2024; and controlling production of 95 percent of shipping containers and 86 percent of the world's supply of intermodal chassis, among other components and products.

Based on the information obtained during the investigation, as reflected in the public report on the investigation, and taking account of public comments, as well as the advice of the interagency Section 301 Committee and advisory committees, the U.S. Trade Representative determined that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance is unreasonable and burdens or restricts U.S. commerce, and thus is actionable under Sections 301(b) and 304(a) of the Trade Act (19 U.S.C. 2411(b) and 2414(a)). *See* 90 FR 8089 (January 23, 2025).

In particular, the U.S. Trade Representative determined that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance is unreasonable because it displaces foreign firms, deprives market-oriented businesses and their workers of commercial opportunities, and lessens competition, and creates dependencies on China, increasing risk and reducing supply chain resilience. China's targeting for dominance also is unreasonable because of China's extraordinary control over its economic actors and these sectors.

Furthermore, the U.S. Trade Representative determined that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance burdens or restricts U.S. commerce by undercutting business opportunities for and investments in the U.S. maritime, logistics, and shipbuilding sectors; restricting competition and choice; creating economic security risks from dependence and vulnerabilities in sectors critical to the functioning of the U.S. economy; and undermining supply chain resilience.

The dominant positions China seeks and increasingly achieves in each sector, give it market power over global supply, pricing, and access. In order to create leverage to obtain the elimination of China's targeting of these sectors for dominance, USTR proposes to take action against certain services of China and also action on a nondiscriminatory basis on certain services, including those supplied using Chinese goods.

IV. Proposed Action

Section 301(b) provides that upon determining that the acts, policies, and practices under investigation are actionable and that action is appropriate, the U.S. Trade Representative shall take all appropriate and feasible action authorized under Section 301(c), subject to the specific direction, if any, of the President regarding such action, and all other appropriate and feasible action within the power of the President that the President may direct the U.S. Trade Representative to take under Section 301(b), to obtain the elimination of that act, policy, or practice.

Section 301(c) of the Trade Act authorizes the U.S. Trade Representative to take certain actions for purposes of carrying out the provisions of Section 301(b). For example, Section 301(c)(1)(B) authorizes the U.S. Trade Representative to "impose duties or other import restrictions on the goods of [the foreign country subject to the investigation] and, notwithstanding any other provision of law, fees or restrictions on the services of, such foreign country for such time as the Trade Representative determines appropriate". Section 301(c)(3)(A) provides that actions that the U.S. Trade Representative is authorized to take may be taken against any good or economic sector on a non-discriminatory basis or solely against the foreign country concerned.

Pursuant to Sections 301(b) and (c), the U.S. Trade Representative proposes that action is appropriate and that appropriate and feasible action may include one or more of the following options. Any fees, charges, or restrictions that may be imposed would be cumulative and additional to other existing or proposed fees, charges, or restrictions.

Fees on Services:

- Service Fee on Chinese Maritime Transport Operators:
  - A vessel operator of China to be charged a fee on the international maritime transport being provided (a) at a rate of up to $1,000,000 per entrance of any vessel of that operator to a U.S. port; or (b) per entrance of any vessel of that operator to a U.S. port, at a rate of up to $1,000 per net ton of the vessel's capacity.
- Service Fee on Maritime Transport Operators with Fleets Comprised of Chinese-Built Vessels:
  - Upon the entrance of a Chinese-built vessel to a U.S. port, a fee to be charged to that vessel's operator on the international maritime transport provided via that vessel (a) at a rate of up to $1,500,000; (b) based on the percentage of Chinese-built vessels in that operator's fleet: for operators with 50 percent or greater of their fleet comprised of Chinese-built vessels, the operator will be charged up to $1,000,000 per vessel entrance to a U.S. port; for operators with greater than 25 percent and less than 50 percent of their fleet comprised of Chinese-built vessels, the operator will be charged a fee up to $750,000 per vessel entrance to a U.S. port; for operators with greater than 0 percent and less than 25 percent of their fleet comprised of Chinese-built vessels, the operator will be charged a fee up to $500,000 per vessel entrance to a U.S. port; or (c) based on the percentage of Chinese-built vessels in an operator's fleet: an additional fee of up to

$1,000,000 will be charged to a vessel operator per vessel entrance to a U.S. port if the number of Chinese-built vessels in the operator's fleet is equal to or greater than 25 percent.

- Service Fee on Maritime Transport Operators with Prospective Orders for Chinese Vessels:
  - An additional fee based on the percentage of vessels ordered from Chinese shipyards: (a) for operators with 50 percent or greater of their vessel orders in Chinese shipyards or vessels expected to be delivered by Chinese shipyards over the next 24 months, the operator will be charged up to $1,000,000 per vessel entrance to a U.S. port; for operators with greater than 25 percent and less than 50 percent of their vessel orders in Chinese shipyards or expected to be delivered by Chinese shipyards over the next 24 months, the operator will be charged up to $750,000 per vessel entrance to a U.S. port; for operators with greater than 0 percent and less than 25 percent of their vessel orders in Chinese shipyards or expected to be delivered by Chinese shipyards over the next 24 months, the operator will be charged up to $500,000 per vessel entrance to a U.S. port; or (b) a fee of up to $1,000,000 per vessel entrance to a U.S. port will be charged to a vessel operator if 25 percent or more of the total number of vessels ordered by that operator, or expected to be delivered to that operator, are ordered or expected to be delivered by Chinese shipyards over the next 24 months.
- Service Fee Remission for Maritime Transport via U.S.-built Vessels:
  - Additional fees on the maritime transport services charged to an operator addressed in this section, may be refunded, on a calendar year basis, in an amount up to $1,000,000 per entry into a U.S. port of a U.S.-built vessel through which the operator is providing international maritime transport services.

Restrictions on services to promote the transport of U.S. goods on U.S. vessels:

- The international maritime transport of all U.S. goods, such as capital goods, consumer goods, agricultural products, and chemical, petroleum, or gas products, must comply with the following schedule:
  - Effective as of the date of action, the international maritime transport of at least 1 percent of U.S. products, per calendar year, that is exported by vessel, is restricted to export on U.S.-flagged vessels by U.S. operators.
  - Effective as of 2 years following the date of action, the international maritime transport of at least 3 percent of U.S. products, per calendar year, that is exported by vessel, is restricted to export on U.S.-flagged vessels by U.S. operators.
  - Effective as of 3 years following the date of action, the international maritime transport of at least 5 percent of U.S. goods, per calendar year, that is exported by vessel, is restricted to export on U.S.-flagged vessels by U.S. operators, of which 3 percent must be U.S.-flagged, U.S.-built vessels, by U.S. operators.
  - Effective as of 7 years following the date of action, the international maritime transport of at least 15 percent of U.S. goods, per calendar year, is restricted to export on U.S.-flagged vessels by U.S. operators, of which 5 percent must be U.S.-flagged, U.S.-built vessels, by U.S. operators.
- The international maritime transport of U.S. goods must comply with the following restriction:
  - U.S. goods are to be exported on U.S.-flagged, U.S.-built vessels, but may be approved for export on a non-U.S.-built vessel provided the operator providing international maritime transport services demonstrates that at least 20 percent of U.S. products, per

calendar year, that the operator will transport by vessel, will be transported on U.S.-flagged, U.S.-built ships.

Other Actions:

- Actions to reduce exposure to and risks from China's promotion of the National Transportation and Logistics Public Information Platform (LOGINK) or other similar platforms, such as recommending that relevant U.S. agencies investigate alleged anticompetitive practices from Chinese shipping companies, restricting LOGINK access to U.S. shipping data, or banning or continuing to ban terminals at U.S. ports and U.S. ports from using LOGINK software.

In addition to the proposed actions, the U.S. Trade Representative also may consider entering into negotiations with allies and partners in order to counteract China's acts, policies, and practices and to reduce dependencies on China in the maritime, logistics, and shipbuilding sectors.

V. Request for Public Comments

In accordance with Section 304(b) of the Trade Act (19 U.S.C. 2414(b)), USTR invites comments from interested persons with respect to the proposed action to be taken in response to the acts, policies, and practices of China determined to be unreasonable or discriminatory, and to burden or restrict U.S. commerce. USTR requests comments with respect to the following considerations in the relation proposed actions:

- The level of the burden or restriction on U.S. commerce arising from China's targeting of the maritime, logistics, and shipbuilding sectors for dominance.
- The appropriate trade to be covered by responsive actions, including the type and level.

- Whether the proposed fees or restrictions on services are appropriate, including the type of services to be subject to fees or restrictions, the level of fees or restrictions, the structure of any fees, restrictions, or reimbursement of fees on services.

In commenting on proposed actions, USTR requests that commenters specifically address whether a proposed action would be practicable or effective to obtain the elimination of China's acts, policies, and practices.

To be assured of consideration, you must submit written comments on the proposed action by March 24, 2025, and post-hearing rebuttal comments seven calendar days after the last day of the public hearing.

VI. Hearing Participation

The Section 301 Committee will convene a public hearing in the main hearing room of the U.S. International Trade Commission, 500 E Street SW, Washington DC 20436, beginning at 10 a.m. on March 24, 2025. You must submit requests to appear at the hearing by March 10, 2025. The request to appear should include a summary of the testimony, and may be accompanied by a pre-hearing submission. Remarks at the hearing may be no longer than five minutes to allow time for questions from the Section 301 Committee.

To participate in the hearing, you must submit a request to appear at the hearing using the appropriate docket on the electronic portal at https://comments.ustr.gov/s/. You will be able to view docket number USTR–2025–0003 entitled 'Request to Appear Concerning Proposed Action Pursuant to the Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance'. Requests to appear must include a summary of testimony, and may be accompanied by a pre-hearing submission. Remarks at the hearing are limited to five minutes to allow for possible questions from the Section 301 Committee. All submissions must be in English. To be assured of consideration, USTR must receive your request to appear by March 10, 2025.

VII. Procedure for Written Submissions

You must submit written comments and rebuttal comments using docket number USTR–2025–0002 on the electronic portal at https://comments.ustr.gov/s/. To submit written comments, use the docket on the portal entitled 'Request for Comments Concerning Proposed Action Pursuant to the Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance.'

You do not need to establish an account to submit comments. The first screen of each docket allows you to enter identification and contact information. Third party organizations such as law firms, trade associations, or customs brokers, should identify the full legal name of the organization they represent, and identify the primary point of contact for the submission. Information fields are optional; however, your comment or request may not be considered if insufficient information is provided.

Fields with a gray Business Confidential Information (BCI) notation are for BCI information which will not be made publicly available. Fields with a green (Public) notation will be viewable by the public.

After entering the identification and contact information, you can complete the remainder of the comment, or any portion of it by clicking "Next." You may upload documents at the end of the form and indicate whether USTR should treat the documents as business confidential or public information.

Any page containing BCI must be clearly marked 'BUSINESS CONFIDENTIAL' on the top of that page and the submission should clearly indicate, via brackets, highlighting, or other means, the specific information that is BCI. If you request business confidential treatment, you must certify in writing that disclosure of the information would endanger trade secrets or profitability, and that the information would not customarily be released to the public.

Parties uploading attachments containing BCI also must submit a public version of their comments. If these procedures are not sufficient to protect BCI or otherwise protect business interests, please contact the USTR Section 301 support line at 202.395.5725 to discuss whether alternative arrangements are possible.

USTR will post attachments uploaded to the docket for public inspection, except for properly designated BCI. You can view submissions on USTR's electronic portal at https://comments.ustr.gov/s/ by entering docket numbers USTR–2025–0002 and USTR–2025–0003 in the search field on the home page.

Juan Millan,

Acting U.S. Trade Representative,

Office of the United States Trade Representative.