U.S. Chamber of Commerce

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

The U.S. Chamber of Commerce appreciates the opportunity to comment on the U.S. Trade Representative's (USTR) initiation of a Section 301 Investigation into China's dominance of the maritime, logistics, and shipbuilding sectors.

The global shipbuilding industry has undergone significant changes in the past several decades, with the People's Republic of China (PRC) emerging as a dominant force, particularly in the construction of the largest and most environmentally friendly vessels. This shift has raised concerns within the United States, where domestic shipbuilding capabilities and output have atrophied substantially. The five labor union petitioners proposed a solution in the form of a fee on each Chinese-built vessel entering U.S. ports. While the concerns regarding the challenge posed by PRC shipbuilding prowess are valid, the proposed solution will not effectively address the underlying concerns and is likely to have unintended, adverse economic consequences for U.S. consumers and the broader economy.

Research conducted by think tanks such as the Center for Strategic and International Studies (CSIS) and Hudson Institute highlights the extent of China's dominance in global shipbuilding. The PRC's shipbuilders now account for over 50 percent of all merchant tonnage produced globally each year, a significant increase from just 5 percent in 1999.[1] This rise has been fueled by state-driven efforts, including substantial subsidies and non-market practices that have allowed Chinese shipbuilders to undercut competition and secure market share from Japan and the Republic of Korea (ROK), both of which have also benefitted from significant government industrial supports over many years.

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[1] https://www.csis.org/analysis/hidden-harbors-chinas-state-backed-shipping-industry

The phenomenon of excess capacity in China's shipbuilding industry is not an isolated occurrence, but part of a broader pattern of overcapacity that has become a feature of China's economy. China's top-down industrial targeting, non-market practices, discriminatory regulation, and unique political economy continues to fuel the rapid scaling of industries, price wars, consolidation around indigenous champions, and capacity that outpaces domestic and international demand. In addition to shipbuilding, PRC overcapacity has been observed in a broad array of industries ranging from steel and aluminum to wind turbines, solar panels, and electric vehicles.

However, and notwithstanding these significant concerns, the petitioners proposed solution of imposing a fee on Chinese-built vessels docking at U.S. ports would be unlikely to generate sufficient revenue or market competitiveness to revive the U.S. shipbuilding industry, which would require substantial, sustained and year's long investments to rebuild. Moreover, such a fee could lead to increased costs for American consumers and businesses, as the additional expenses incurred by the maritime shipping industry would almost certainly be passed on in the form of higher prices.

In addressing the decline of the U.S. shipbuilding industry, multifaceted approaches have been put forward that include modernizing shipyards, workforce development, and strategic alliances. CSIS suggests that investment in advanced manufacturing technologies and a skilled workforce are crucial for enhancing production capacity. The Hudson Institute emphasizes the importance of government incentives and support, as well as regulatory reforms to streamline production processes.[2] Partnerships with foreign shipbuilders in allied countries and a focus on green shipbuilding practices also should be part of the solution to the U.S. shipbuilding challenge. These diverse recommendations underscore the need for a comprehensive and coordinated national strategy that aligns with economic and defense objectives to revitalize the American shipbuilding industry.

The Chamber acknowledges the need for realistic and strategic approaches to the challenges posed by China's shipbuilding dominance, which has commercial, economic, and national security implications. However, imposition of an arbitrary fee on Chinese-built vessels that dock at a U.S. port is not the right solution to address the challenge. We instead encourage the Administration, Congress, and allies to work together to develop more effective and comprehensive solutions to the challenge that do not result in higher prices for U.S. consumers and raise costs for American businesses.

Sincerely,

[2] https://www.hudson.org/national-security-defense/rewriting-future-america-maritime-industry-compete-china-michael-roberts

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