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ALERT

USTR Finds China's 'Unreasonable' Policies in Shipbuilding, Maritime, Logistics Sectors Restrict U.S. Commerce

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On January 16, 2025, the U.S. Trade Representative (USTR) determined, pursuant to Section 301 of the Trade Act of 1974, that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance is unreasonable and burdens or restricts U.S. commerce. In a detailed, 182-page report accompanying the determination, USTR examined decades of industrial policy planning, dating back to the 10th five-year plan period in 2001-2005, in which the Chinese government sought rapid expansion of both shipbuilding capacity and market share in international logistics. The report details discriminatory, non-market policies and practices including government direction of both state-owned and private companies, extensive government financial support, unfair labor practices, support for excess production capacity of key shipbuilding inputs like steel, and state-directed industrial consolidation.

The report concludes that these policies, as applied to the shipbuilding sector, have "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." The report describes the wide-ranging, negative impacts of China's policies, including:

- Depriving market-oriented businesses and their workers of commercial opportunities;

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Practice Areas

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- Eliminating competition in global markets;
- Increasing risk and reducing resilience in global supply chains by creating dependencies on Chinese suppliers; and
- Undercutting business opportunities for and investments in the U.S. maritime, logistics, and shipbuilding sectors.

In its assessment of the role that non-market excess capacity in the steel sector plays in giving China's shipbuilders an unfair competitive advantage, USTR cites Wiley's recent study of Chinese industrial policy in the steel industry, *Shell Game: Case Studies in Chinese Steel Subsidies*, which is available here.

USTR will conduct future proceedings, including any further hearings or solicitation of additional comments, to determine what actions, if any, to take as a result of this determination. The statute requires USTR to complete Section 301 investigations that do not implicate trade agreements within 12 months of initiation. The investigation was initiated on April 17, 2024, on the basis of a petition filed by five national labor unions. As a result, any recommended actions in response must be made on or before April 17, 2025.

Wiley has robust International Trade, Supply Chain, and Customs practices with extensive experience helping clients navigate Section 301 and broader trade issues. Should you have any questions regarding the Section 301 exclusion process, please contact one of the listed attorneys.