US says China pressed unfair advantages to dominate shipping, shipbuilding

Beijing targeted maritime sectors by undercutting competition

[Stuart Chirls]

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Container ship under construction in China. (Photo: Shutterstock)

China is leveraging unfair trade practices to dominate the global ocean shipping and shipbuilding markets, a U.S. investigation has found.

The investigation under Section 301 of the Trade Act of unfair practices determined that China for decades has taken aim at specific industries by undercutting competition in order to command dominant market share.

The results of the probe initiated in April 2024 were summarized in a report by the office of the United States trade representative (USTR).

"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 of the maritime, logistics, and shipbuilding sectors," the report stated. "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."

The report described a top-down, centrally controlled strategy by Beijing that not only puts the U.S. and other countries in a weak competitive position, but also threatens national security.

China's share of the global shipbuilding market rose from less than 5% in 1999 to more than 50% in 2023, while pushing its ownership of the commercial world fleet to over 19% as of January 2024.

China controls 95% of global shipping container production, according to the report, and 86% percent of the world's supply of intermodal chassis.

The report said the targeting was enabled by government policies that unfairly depress costs or provide advantages.

The shipbuilding supply chain benefits from China's lack of effective labor rights and the use of forced or compulsory labor. Excess, nonmarket capacity in materials such as steel also give Chinese companies an advantage.

The report described China's long-term goals for the scale and structure of industry, and increasingly aggressive global market share targets at the expense of foreign companies for shipbuilding, marine equipment, maritime engineering equipment, high-technology ships and shipping.

As an example, for high-technology ships, China initially set a target of 20% of global market share by 2011 but now aims to achieve a 50% share by 2025. In maritime engineering equipment, an initial target of 10% by 2011 has risen to 40% by 2025.

The cumulative effect of these targets is to push aside foreign competition while increasing risk and reducing supply chain resilience for potential customers that are forced to rely on China.

"China's control over economic actors enables it to direct and influence their commercial behavior in pursuit of its targeted dominance, in ways that run counter to fair competition and market-oriented principles," the report stated.

The report identified a matrix of mechanisms China deploys, including subsidies, forced technology transfer and intellectual property theft, to blunt competition.

Dominance in the maritime, logistics and shipbuilding sectors also serves to help make China a "world-class military" power, with national security implications for the U.S.

"China's opaque business ecosystem offers limited transparency into the flow of capital within its shipbuilding industry, but available evidence indicates that profits from foreign orders likely lower the costs of upgrading China's navy," the report stated.

The results of the investigation "provide a basis for finding that responsive action is appropriate."

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