Trump’s fees on Chinese ships will hurt US companies, maritime executives to tell hearing

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President Donald Trump's plan to revitalize the U.S. shipbuilding industry is likely to backfire because it relies on proposed fees on China-linked vessels that will hurt domestic ship operators and ports, industry executives will tell the U.S. Trade Representative at hearings this week.

In particular, they will say the plan would hurt U.S. ship operators by strictly limiting the vessels they would need to use to avoid the fees, and by concentrating ship traffic at America's biggest ports while leaving the smaller ones neglected.

"Any proposal to support U.S. shipbuilding should also support existing U.S.-owned carriers (not harm them)," Edward Gonzalez, CEO of Florida-based Seaboard Marine wrote in comments ahead of his expected testimony on Monday.

A container ship sails beneath the Golden Gate Bridge as it makes its way into port in San Francisco, California. REUTERS/Robert Galbraith

At issue is a proposed charge of up to $1.5 million for Chinese-built or Chinese-flagged vessels docking at U.S. ports. The Trump administration says that and other contemplated fees would curb China's growing commercial and military dominance on the high seas and promote domestically-built vessels.

In the short-term at least, the plan is a huge problem for U.S. operators like Seaboard, the largest U.S.-owned international cargo carrier, which has 16 China-built ships in its fleet of 24 vessels, according to maritime data provider Alphaliner. Like many U.S. operators, it relies on ships made in China.

According to the USTR, China's share of the shipbuilding market grew from less than 5% in 1999 to more than 50% in 2023.

USTR did not immediately respond to requests for comment.

U.S. vessel operators underpin key American industries like manufacturing, mining and agriculture by transporting goods to and from inland waterways, across the Great Lakes and up and down the country's coasts.

"Since there aren't really U.S. ships being built, all of us U.S. operators are depending on the foreign-built market and that foreign-built market is more than 50% Chinese," Fernando Maruri, founder of Texas-based King Ocean Gulf Alliance, told Reuters. Its businesses rely on chartered ships to move mining, oil drilling and agriculture-related goods between the U.S., Mexico, the Caribbean and Central and South America.

To completely avoid the fees, vessel operators must be based outside of China, have fleets with fewer than 25% of ships built in China, and have no Chinese shipyard orders or deliveries scheduled within the next two years, according to the USTR proposal. A draft executive order seen by Reuters earlier this month would narrow that further by levying port fees on all fleets with China-built vessels.

U.S.-built vessels providing international transportation may be eligible for refunds of up to $1 million per port visit, according to the USTR proposal.

But vessel owners and legal experts told Reuters key details in the USTR plan are murky.

"These fees are little more than a different form of tariff but with a bluntness and an array of adverse consequences that makes them worse," said ocean shipping expert John McCown, former CEO and co-founder of a U.S.-flagged container operator.

TAXPAYER INVESTMENTS POTENTIALLY SQUANDERED

To avoid the fees, ship operators could shift U.S.-bound cargo to ports in Canada and Mexico, and rely on land-based transport to finish the journey, according to vessel and port operators. They also could use bigger ships and limit calls to large U.S. ports - a feast-or-famine strategy that would starve small ports, swamp the largest and cause supply chain stresses similar to those early in the COVID pandemic.

If that happens, billions of dollars of taxpayer investments in improvements and maintenance of port facilities, roads and railways that support adjacent businesses and jobs could be wasted, executives will tell the hearing.

The most vulnerable ports, for example, include Seaport Manatee in the Trump stronghold of Florida.

It relies on U.S.-based World Direct Shipping for 95% of its container cargo trade and has received both state and federal funding for port improvements that support the business, Daniel Blazer, whose family owns WDS, said in comments ahead of his scheduled testimony.

Two of the three vessels WDS uses to ferry fresh fruit between that port and Mexico are made in China, putting it in the crosshairs for USTR fees, Blazer said. "Without WDS, all of these taxpayer-funded investments would be squandered."

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