Oral Testimony of

Jonathan Gold
National Retail Federation

Before the

United States Trade Representative

For its hearing
Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance (Docket Number USTR-2025-0002)

March 26, 2025

Thank you for holding today's hearing. My name is Jonathan Gold and I'm the Vice President for Supply Chain and Customs Policy for the National Retail Federation.

NRF is the world's largest retail trade association and empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing $5.3 trillion to annual GDP and supporting one in four U.S. jobs — 55 million working Americans.

A safe, efficient, predictable, resilient and timely supply chain is critical to the success of any retailer. The ability to ensure that products are available for consumers, whether they shop in-store or online, is key to the retail supply chain. A critical component of this supply chain is the maritime sector, which moves a majority of retail goods from their overseas origins to their U.S. destinations.

While NRF supports efforts to revitalize the U.S. shipbuilding sector, we strongly oppose the proposed remedies in this investigation. We do not believe that either the proposed "port service fees" against carriers who utilize Chinese-built vessels or the export requirements would force China to change its behavior and practices. Instead, they would only result in exorbitant shipping costs for U.S. businesses and further disrupt the maritime market. These proposed actions, if implemented, would have serious ramifications on U.S. competitiveness, supply chain efficiency and security, and U.S. economic security.

First, I'd like to note that the U.S. and China have maintained a bilateral agreement on maritime transport since 2003. This agreement put in writing the importance of maintaining maritime relations between the two countries and the critical role maritime transportation plays in developing and facilitating trade between the countries. The purpose of the agreement is to ensure that Chinese and U.S. vessels are provided access to ports and receive equally favorable treatment, including the assessment of duties and other costs upon vessels when calling at both U.S. and Chinese ports.

The proposed actions are contrary to the spirit of this agreement. There are concerns that China will take retaliatory actions to penalize U.S. shippers and shipping interests if these take effect. These retaliatory actions would complicate an already delicate global ocean transport system, which has been recovering from various disruptions since the pandemic. Any retaliation from China could also unfairly injure the small number of existing U.S.-based ocean carriers when they call at Chinese ports.

Second, we question whether Section 301 is the appropriate tool to address China's dominance in the shipbuilding sector and as a means to revitalize the domestic shipbuilding industry. There are alternative tools available to Congress and the Executive Branch to directly revitalize the shipbuilding industry, such as grants, tax incentives or sector-specific regulations.

Third, the amount of money necessary to make the U.S. shipbuilding industry globally competitive is astronomical and doing so would also require a significant amount of time. The costs to build a container, bulk or other maritime vessel will be made more expensive as a result of the escalating tariffs on key materials such as steel and aluminum. It is unrealistic for the U.S. shipbuilding industry to make the substantial jumps necessary to meet the proposed actions and in the timeframes proposed. U.S. shipping interests, including both importers and exporters, would be materially harmed during the many years it would require for the domestic industry to begin making meaningful headway.

Fourth, the cost of international ocean shipping has notably grown over the years and would potentially increase due to the proposed service fees. Drewry Shipping has noted that an estimated 80% of vessels calling at U.S. ports could be subject to these proposed fees. Only a small number of ocean carriers such as South Korea's HMM and Taiwan's Evergreen Marine do not have Chinese-built vessels in their fleets. Even in those cases, there are questions as to whether they would be impacted by participating in a shipping alliance with other carriers who own or operate Chinese-built vessels.

Ocean carriers have indicated that they would pass along the cost of these fees to their customers. Some have indicated that the cost could be between $600 and $800 per container, which is significant considering the current average cost of transporting a container on the transpacific route is $2,500. Carriers have also indicated that they would be forced to withdraw services from smaller ports such as the Port of Oakland because it would be uneconomical to unload smaller container volumes. That could ultimately result in job losses for local communities.

The proposed actions could impact the efficiency and reliability of U.S. supply chains. As ocean carriers shift services away from smaller ports, they will be forced to unload more cargo at larger U.S. ports or redirect shipments to Canadian or Mexican ports. The challenge would be for any of these ports to handle significant increases in cargo volumes. We would likely see increased congestion at those ports, which would impact trucking and rail services to and from the ports.

In a detailed assessment of the probable economic effects of four of the remedies suggested by USTR, Trade Partnership Worldwide found that in every instance the net impact on the U.S.

economy would be negative. As higher costs filter through the economy, the wholesale and retail trade sectors, from stores to restaurants, would see declines in sales and employment.

NRF members have reiterated these concerns with regard to the cost of the fees being passed along as well as the impact of carriers rerouting vessels to minimize the fee impact. There is significant concern about increased congestion at key U.S. ports. There is also concern about the cumulative impact of the multitude of new tariffs, potential reciprocal tariffs and the port fees on retailers. They would have no choice but to pass along the costs themselves to their customers.

In conclusion, we believe that the costs of these proposed service fees and export restrictions would harm U.S. shipping interests and undercut U.S. competitiveness. In the interest of protecting U.S. businesses, consumers, and supply chains, NRF opposes the proposed actions in this Section 301 investigation and respectfully urges the U.S. government to consider other measures for addressing China's dominance in the maritime sector and revitalizing the U.S. shipbuilding industry.