

United States Senate
WASHINGTON, DC 20510

April 10, 2024

Ambassador Katherine Tai
600 17th Street NW
Washington, D.C. 20508

Dear Ambassador Tai,

We write to add our support for the petition filed on March 12, 2024 by the United Steelworkers (USW) and other unions under Section 301 of the Trade Act of 1974. The petition alleges that—for over two decades—the government of the People’s Republic of China (PRC) has engaged in predatory practices to benefit its transportation, logistics and shipbuilding sectors, which has come at the expense of American shipbuilders and shipyards, as well as countless American manufacturers and their workers who supply commercial ships. We ask that you initiate a full investigation into the actions of the government of the PRC in its explicit support to these sectors.

Over the last 20 years, the Chinese share of the global shipbuilding market has increased dramatically, rising from less than 10 percent in 2000 to 47 percent in 2022. Chinese state-owned enterprises and other facilities in the PRC are now capable of producing over 1,000 ocean-going vessels a year, while the United States currently produces fewer than ten. The export market share of American goods in the shipbuilding industry has also declined. For example, the U.S. used to export tens of millions of dollars’ worth of diesel or semi-diesel marine engines to the PRC, peaking at more than 1,500 engines a year in 2007 and 2008. As a result of China’s unfair trade practices, U.S. manufacturers have exported fewer than 100 marine engines in the last few years.

After World War II, the U.S. led the world in commercial shipbuilding. Today, our nation produces fewer than one percent of the world’s commercial vessels. While several factors have led to the domestic industry’s decline, unfair trade practices by the PRC—now the global leader in shipbuilding—have been a leading contributor to the decimation of America’s commercial shipbuilding capacity and the workers it employed.

According to the petition filed by USW and other unions, the PRC’s dramatic increase in shipbuilding capacity is the result of a deliberate, government-sponsored plan to become the world’s largest shipbuilding nation. A number of policy tools are used to achieve this explicit goal, including: preferential sourcing policies, loans from state-owned banks, equity infusions and debt-for-equity swaps, the provision of steel plate from state-owned steel producers at below market prices, tax preferences, grants, and customer financing from state-owned export credit agencies. In addition, the PRC has mandated the purchase and use of Chinese ships by Chinese state-owned enterprises. They have also provided subsidies to companies for retiring their older ships earlier than necessary and placing new ship orders from Chinese shipyards.

The PRC's advantages rest, in part, on the PRC's support for its steel sector in general, which has been the subject of ongoing U.S. government enforcement action. A single commercial ship can require more than 13,000 tons of structure steel. Because prices for steel in China can be 50 to 60 percent lower than prices in other markets, the prices for containerships built in China can be up to 60 percent below the prices for comparable vessels built in Japan and Korea.

Moreover, the petition raises significant security implications of PRC-based firms that control shipping companies, strategic ports, and logistics platforms. For example, the PRC-supported LOGINK logistics platform collects and combines data from a variety of government and private sector sources to create significant concentrated knowledge of the inflows and outflows of goods from ports across the world. The data collected gives the PRC access to sensitive information, such as the movement of military equipment through commercial ports, as well as granular information on the flow of goods across the globe.

In addition to our concerns for the domestic shipbuilding industry and U.S. jobs, we are troubled by U.S. economic and national security implications of China's unfair trade practices. Commercial shipbuilding suppliers and shipyards are vital to the U.S. economy and national security. Privately-owned shipyards, alongside thousands of suppliers, provide critical industrial capacity for building the Navy's fleet and supporting repair and maintenance. The Department of Defense has made clear the need to grow the shipbuilding industrial base in light of the astonishing 25,000 domestic shipbuilding suppliers that have left the market over the past 20 years. The Navy's shipbuilding plan for Fiscal Year 2023 states that "sustaining and growing this vital shipbuilding base is a national security imperative that both energizes and challenges the Navy and the Nation." Indeed, in 2022 former Chief of Naval Operations, Admiral Gilday, referenced industrial capacity as one of the most significant constraints to achieving the Navy's desired number of ships.

America's renewed awareness about supply chain fragility demands that we strengthen our domestic shipbuilding and supply capabilities to protect American interests. The loss of commercial market share for domestic shipbuilding suppliers has meant that the Navy and Department of Defense have budgeted over a billion dollars to address capacity and workforce risks at key upstream suppliers. The petition further highlights the dire situation if a conflict or national emergency results in damage or loss of existing merchant marine and U.S. military vessels. Currently, U.S. shipyards and suppliers do not have the capability to replace ships lost in combat or the ability to supply our own needs, much less our friends and allies. By supporting a vibrant, domestic commercial shipbuilding industry, we can ensure that there is sufficient capacity to scale up in times of need.

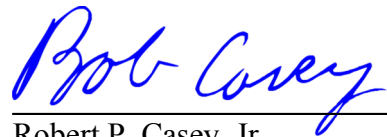
The petition suggests several remedies, which aim to create the incentives to encourage the PRC to eliminate the anti-competitive actions it has taken in its shipbuilding sector. Most notably, the petition calls for a fee to be placed on vessels built in the PRC that dock in U.S. ports, the proceeds of which would be used to finance a shipbuilding revitalization fund. We encourage the USTR to fully consider these and other remedies recommended in the petition, in order to properly address and discourage the PRC's unreasonable and discriminatory practices.

In closing, we urge you to expeditiously initiate a full Section 301 investigation and consider the relief measures identified in the petition to address the injury that the PRC's policies and actions have had on our commercial shipbuilding, transportation, and logistics sector. We appreciate your attention to this matter.

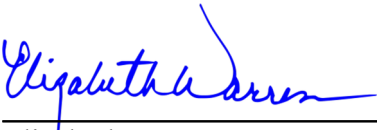
Sincerely,



Tammy Baldwin
United States Senator



Robert P. Casey, Jr.
United States Senator



Elizabeth Warren
United States Senator



Sherrod Brown
United States Senator



John Fetterman
United States Senator



Mazie K. Hirono
United States Senator