



Proposed US port fees for Chinese vessels

The US Trade Representative has proposed to impose high port fees on Chinese-built vessels. Here are the key elements of the proposal.

Published 06 March 2025

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Just weeks after Donald Trump began his second term as US president, the Office of the US Trade Representative (USTR) unveiled its potential trade action against China and Chinese-built ships. However, the wheels were set in motion even before that, when five US labour unions filed petitions on China's alleged targeting of the maritime, logistics and shipbuilding sectors for dominance. This led the USTR to launch an investigation into China's practices in April 2024, which concluded that Chinese shipyards have allegedly been engaging in unfair trade practices that warranted action under Section 301 of the US Trade Act.

The USTR has now [published their proposed action](#) and is inviting the public to comment until 10 March before a public hearing takes place on 24 March. Ultimately, it will be President Trump who decides what new actions, if any, will be taken.

What has been proposed?

The USTR claims that the proposed action is designed to “obtain the elimination” of the unfair trade practices in China. Some of the key proposals are set out below.

a) Service fee on Chinese vessel operators

“A vessel operator of China” is to be charged a fee at the rate of up to USD 1 million per entrance to a US port or at a rate of up to USD 1,000/net ton of the vessel's capacity. In practice, this is likely to see most ships being levied a fee of USD 1 million per call. It also means that if a vessel makes multiple US port calls, the operator will have to pay this sum multiple times.

Whilst it has not been clarified who falls within the category of “a vessel operator of China”, it is thought that many well-known operators from the region would be included.

b) Service fee on vessel operators with fleets comprising of Chinese-built vessels

It is, however not just Chinese vessel operators expected to be affected, as the proposed action goes further to impose a similar “service fee” on any operator whose vessel is Chinese-built or has a fleet that includes a Chinese-built vessel.

According to the plan, a Chinese-built vessel will be charged at a rate of up to USD 1.5 million. However, even ships not built in China may be levied a service fee if the same vessel operator has a fleet including Chinese-built ships. The fee chargeable is to depend on the proportion of Chinese-built ships in the fleet. For example:

- Operators with fleet comprising 50% or more Chinese-built vessels: to be charged up to USD 1m per vessel per entry to a US port

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- Operators with fleet comprising 25-50% of Chinese-built vessels: to be charged up to USD 750k per vessel per entry to a US port
- Operators with fleet comprising up to 25% of Chinese built vessels: to be charged up to USD 500k per vessel per entry to a US port

c) Service fee on vessel operators with prospective orders for Chinese vessels

The USTR's proposed plan even seeks to stretch into future orders. If an operator has ordered vessels from Chinese shipyards, a similar service charge is to be levied on their existing vessels depending on the proportion of orders in Chinese shipyards.

d) Service fee remission for vessel operator via US-built vessels

A vessel operator may reduce its service fee liability if it trades its US-built Vessel to call a US port; in the circumstances, the operator will become entitled to a refund of up to USD 1m per US entry. This however is unlikely to relieve many vessel operators given US-built vessels form a small proportion of global tonnage.

What next?

The proposal remains up for discussion as the USTR collates public comments and hold a hearing later in the month. However, as things stand, it appears that the charge is in respect of the vessel/freight and not cargo as the press release seems to target any "vessel operators". We expect that most of our owner members would be considered an operator. However, it is not possible to rule out the possibility of certain charterers also being considered an operator until the definition is released. Each charterparty will have to be evaluated based on its language and the circumstances of the trade. However, typically, we see in many charterparties that taxes and dues on the vessel/freight are to be for the owners' account while taxes and dues on the cargo are for the charterers' account. Under the circumstances, it may well be the owners that are to bear the contemplated tax. That said, there is some case law that may support arguments that time charterers are an operator. It remains to be seen whether a definition for this will be provided in what is eventually implemented.

All these question marks will hopefully subside overtime as the US administration reveals their final decision although the outcome may not be what the industry embraces.

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