

Beijing exempts US-flag vessels built in China from retaliatory port fees



*China's decision to exempt US-flag vessels built in China will come as a relief to Matson and APL.
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China will exempt US-flag ships built in China from its new port fees that went into effect Tuesday, even as the first two Chinese-operated vessels were slapped with new fees in the US.

The concession by Beijing will come as a relief to Matson and APL, both of which are US-flagged and operate China-built vessels. Maersk Line Ltd., the other major US-flag carrier, doesn't regularly serve Chinese ports.

The US port fees heavily target Cosco, its subsidiary OOCL and Hede Shipping, while also giving non-Chinese operators a way to mostly avoid the charges by substituting China-built ships on US services with vessels built in South Korea, Japan and Taiwan.

The change in China's port fees comes as the country's Transport Ministry on Tuesday launched an investigation into how its maritime industry and supply chains will be impacted by the US Trade Representative's (USTR's) Section 301 port charges and tariffs. Significantly, the probe will also investigate any organizations and individuals that assisted or supported USTR's "discriminatory restrictive measures against our country in the shipping industry, shipbuilding industry and related industrial and supply chains," the ministry said.

Beijing announced its investigation of the USTR activities on the same day the US and China imposed reciprocal port call charges on each other's vessels and owners.

The US is charging Chinese-owned or -operated vessels \$50 per net ton on each initial port call subject to a cap of five port calls a year. Foreign owners and operators of China-built vessels are being charged the higher of either \$18 per net ton or \$120 per discharged container. The rates will increase next April.

China, in turn, is levying a fee of \$56 per net ton on non-China-made vessels that are US-flagged or owned or controlled by US companies or companies where more than 25% shares are held by US interests.

Two China-operated ships hit with US port fees

Meanwhile, the first two Chinese-operated ships to be subjected to US fees called at US ports Tuesday. The *OOCL Sunflower*, a 16,828-TEU vessel, called Long Beach, while the 13,800-TEU *Cosco Jasmine* arrived in Savannah, according to Sea-web, a sister product of the *Journal of Commerce* within S&P Global. The other 14 container ships to call US ports on the day the new fees went into effect were excluded because they were under 4,000 TEUs or were US-flagged.

Steel unions that in March 2024 triggered the USTR investigation into China's maritime industry celebrated the new US ports fees and urged the White House to provide more support to the industry.

"Revitalizing shipbuilding and the supply chain will yield hundreds of thousands of jobs and strengthen our national defense and our industrial base," the United Steelworkers and International Association of Machinists said in a statement.

But a group of apparel shippers was less enthused, saying that while it supported US shipbuilding, the new fees could prompt ocean carriers to levy surcharges to recoup their costs.

"Instead of imposing punitive port fees that create inefficiencies and divert business away from US ports, the focus should be on creating strong domestic incentives and

providing sustained support to revitalize American shipbuilding,” Audrey Clark, trade and transportation specialist for the American Apparel & Footwear Association, said in a statement.

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