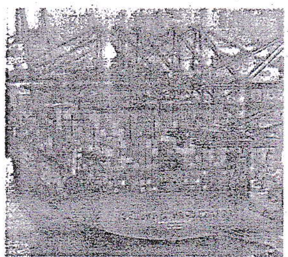
US plan to fine Chinese ships could hit India

TE Raja Simhan
Chennai



India's trade could be badly affected if the US proposal to levy huge port fees on Chinese shipping companies and vessels built in Chinese shipyards comes into force.

The United States Trade Representative (USTR) on Monday said the US administration would charge Chinese-owned cargo ships as well as third-country flagged vessels built in China $1 million or more per port-of-call in the US.

Over half of all ships delivered globally in 2024 were built in China.

The sweeping proposal was in response to the USTR investigation into Chinese shipbuilding and maritime practices initiated in March 2024 at the behest of US labour unions, said the UK-based Lloyds List Intelligence.

This comes at a time when the international maritime trade is yet to recover from the year-old Suez Canal crisis.

If implemented, the move could impact Indian shipments that depend on foreign ships to reach foreign shores, including to the US.

Read more on p3

US plan to penalise Chinese ships could hit Indian trade

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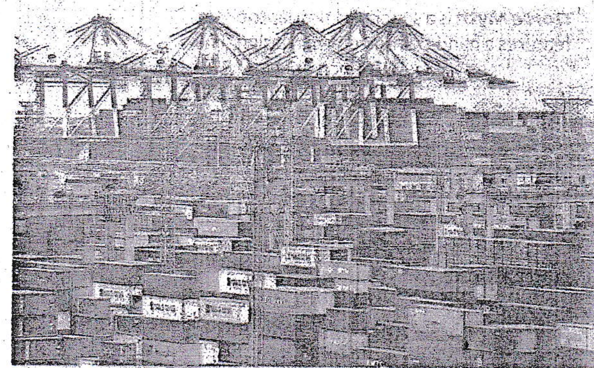

MAJOR HURDLE. If implemented, it could impact Indian shipments as the trade is heavily dependent on foreign ships to carry Indian cargo on international routes and to the US. REUTERS

Indian trade could be badly affected if the proposal for huge port fees targeting Chinese shipping companies and vessels built in Chinese shipyards comes into force. The United States Trade Representative (USTR) on Monday said the US administration would charge Chinese-owned cargo ships as well as third-country flagged vessels built in China $1 million or more per port-of-call in the US.

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If implemented, it could impact Indian shipments as the trade is heavily dependent on foreign ships to carry Indian cargo on international routes and to the US.

Lars Jensen, an expert in the container shipping industry based in Denmark, told *businessline* that cargo exported from India to the US as well as from the US to India must be expected to a significant degree to be onboard vessels, which will potentially be penalised. Shipping lines operating these services are likely to pass on the cost increase to shippers.

J Krishnan of S Natesa Iyer Logistics LLP, a Chennai-based freight forwarder, said there are no modern transhipment hubs near the US for ships to discharge US-bound cargo carried on Chinese vessels and feeders to US points with other flag vessels. Land infrastructure (road/rail) at present cannot offer any viable alternate option for decreased ports of call in the US. The additional fee on the ships will have to be passed on to the shippers, he said.

Capt KG Ramakrishnan, a former master mariner, said, "It sounds impossible unless US freights go up by another $1,000 per TEU at least. The general intent to focus on China as a threat is correct but this measure is not going to make it. At one level, it seems to be a deeply thought-out strategy but being executed haphazardly."

CHINA'S DOMINANCE

US-based freight forwarding and logistics company Flexport estimates that of the top 20 ocean carrier companies, around 30 per cent of their fleet is made up of Chinese vessels. Container ships typically make 2-3 port calls per loop.

This means fees could add more than $3 million per trip. For context, this is significant relative to the typical revenue of $10-15 million per journey, it said.

If the proposal takes effect, Flexport anticipates that ocean carriers will try to divert some shipments through Canada and Mexico ports, then import via rail and trucking. However, these ports have limited capacity and would not be able to support all of the capacity currently flowing through US ports. It also expects that ocean carriers will look to optimise their fleet — using Korean and Japanese vessels on US trade lanes. Carriers with larger fleets and only a few Chinese-built vessels may unload these ships altogether to avoid being penalised.

TARGETING SECTORS

China's targeting of sectors, including shipbuilding, for dominance has undercut competition and taken market share with dramatic effect: raising China's shipbuilding market share from less than 5 per cent of global tonnage in 1999 to over 50 per cent in 2023; increasing China's ownership of the commercial world fleet to over 19 per cent as of January 2024; and controlling production of 95 per cent of shipping containers and 86 per cent of the world's supply of intermodal chassis, among other components and products, the USTR said.

To create leverage to obtain the elimination of China's targeting of these sectors for dominance, the USTR proposes to take action against certain services of China, it said.