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March 21, 2025

Ambassador Jamieson Greer
U.S. Trade Representative
Office of the United State Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: Docket Number USTR-2025-0002 Comments by the U.S. Meat Export Federation Concerning Proposed Action Pursuant to the Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance

The U.S. Meat Export Federation (USMEF) appreciates the opportunity to submit comments concerning proposed fees on services provided by maritime transport operators with fleets comprised of Chinese-built vessels and/or maritime transport operators with prospective orders for Chinese vessels, as well as proposed restrictions on services designed to promote transport of U.S. goods on U.S. vessels. USMEF is a non-profit trade association that represents the export interests of the U.S. beef, pork and lamb industries through its network of offices and representatives in foreign markets. USMEF's membership includes a broad cross-section of American agriculture: farmers, meat packers, processors, purveyors and traders, agribusinesses with an interest in U.S. meat exports and other agricultural organizations.

USMEF works closely with USTR and with the United States Department of Agriculture (USDA) and is a long-standing partner of the USDA Foreign Agricultural Service through the Foreign Market Development Program and Market Access Program. The U.S. red meat industry plays a crucial role in the nation's agricultural industry. Exports are key to industry profitability, and the U.S. is a leading global exporter of red meat, with exports totaling $19.1 billion in 2024, the second largest on record.

U.S. red meat exports operate in a highly competitive global environment and therefore must have access to efficient, cost-effective maritime transport. Of the $19.1 billion in products exported last year, waterborne shipments accounted for about 70% of this total or over $13.4 billion. On a weekly basis, nearly $260 million in U.S. beef, pork and lamb exports transit through ports on the U.S. West, East and Gulf Coasts.

USMEF does not question USTR's finding that China has targeted the maritime, logistics and shipbuilding sectors for dominance. However, we believe the remedies proposed for addressing this situation will be counter-productive, and that it is simply not feasible to revitalize the U.S. shipbuilding and maritime services industries by imposing additional costs on U.S. exporters and other cargo owners. And while the proposal appears to offer alternatives that would allow exporters and cargo owners to avoid service fees by choosing different vessels and transport operators, these choices do not exist in today's marketplace.

It is also important to note that U.S. red meat exports are largely in the "backhaul" portion of ocean carriers' overall business. One of USMEF's foremost concerns with the proposed services fees is that these fees are based on port calls. Therefore, carriers are likely to reduce their service fee burden by eliminating port calls that are critical to the U.S. red meat

industry's ability to move product in a timely and cost-effective manner. The best example is the Port of Oakland, the largest outlet for U.S. red meat exports, handling 26% of the industry's total waterborne exports in 2024. This included 42% of waterborne beef exports, which underscores the critical role Oakland plays in the U.S. industry's ability to ship high-value chilled (meaning never frozen) beef to Asia.

Oakland is served by many vessels that have already delivered import cargo to a Southern California port. These vessels call Oakland before returning to Asia, making it an ideal choice for exporters shipping chilled beef – as well as chilled pork or lamb – to key Asian markets such as Japan, South Korea or Taiwan. Utilizing the Port of Oakland allows these exporters to maximize the available shelf life for these products, bolstering Asian customers' confidence that the product will arrive in plenty of time to make its way into commercial channels. These advantages will be eliminated if calls to the Port of Oakland are reduced, and exporters must ship more product through the Southern California ports. This is especially concerning when port congestion is high in Southern California, such as during the peak season for imports. Recent history shows that heightened congestion in Southern California not only leads to delays but also added costs, including detention and demurrage charges. So, the proposed port service fees could have a cascading effect that results in even more costs being imposed on U.S. exporters. While utilizing the Port of Oakland does not completely eliminate potential delays or obstacles, the port has proven to be an invaluable asset for shipping perishable, time-sensitive product to Asia. Service fees that incentivize the elimination of Oakland from a vessel's itinerary will have an immediate and detrimental impact on red meat exports.

Though Oakland is the most prominent example, red meat exports leaving the West Coast will also be negatively impacted if vessels choose not to call the Ports of Tacoma and Seattle. Exporters shipping from the East and Gulf Coasts will also incur additional costs and face greater obstacles and delays if carriers reduce port calls on these routes. As noted above, red meat exports are in the backhaul portion of carriers' decision-making process, meaning that import cargo is more likely to be the driving force behind vessel itineraries. If exporters must deliver cargo to a more distant and/or more congested port, this is an additional burden that places U.S. red meat at a disadvantage. In fact, if some products – such as lower-value variety meat items – must be delivered to a more distant port, exporting these products may no longer be feasible at all. Port Houston, for example, handles about one-fourth of all beef variety meat shipments and handles the majority of those shipped to markets such as Egypt, South Africa, West Africa and Latin America. This is due in part to Houston's proximity to a large share of U.S. beef production, and its proximity to these destination markets. Any reduction in service at Port Houston, or heightened congestion at container terminals, would add costs that could jeopardize these shipments.

Another concern for red meat exporters is that the proposed service fees make little accommodation or adjustment for smaller vessels. One of the most rapidly developing regions for red meat exports is Latin America, which is a collection of small and medium-sized markets that do not necessarily attract the larger classes of ocean vessels. If a small vessel hauling U.S. exports to Central or South America or a Caribbean island is subject to service fees similar to the world's largest vessels, there is far less cargo over which this cost burden can be spread.

USMEF also notes that the unilateral nature of the proposed fees – whether imposed on Chinese-made vessels making port calls or on ocean carriers with orders in Chinese

shipyards – would place a burden on red meat exports that is completely unique to the United States. While ocean transportation costs can increase for a host of reasons such as container availability, high fuel prices or the port labor constraints that were in place during the COVID pandemic, most of these factors tend to have a global impact. But service fees imposed only on vessels calling U.S. ports would represent an additional cost for U.S. exporters and present an instant cost advantage for red meat shipments originating from Brazil, Australia, Canada, Europe or any of our other main competitors. As noted above, U.S. red meat exports already face significant price competition, in part due to the strong U.S. dollar, and additional shipping costs will further erode U.S. competitiveness.

Also concerning to red meat exporters is USTR's proposal that would require a certain percentage of U.S. exports to be carried on U.S.-flagged vessels (at least 1% the first two years, 3% after two years, 5% after three years and 15% after 7 years). In addition, USTR proposes that after three years, 3% of U.S. exports must be shipped on vessels built in U.S. shipyards. The mandatory ratio would increase to 5% after seven years.

While USMEF is supportive of the goals behind these proposals, it is not clear how exporters of a wide range of U.S. products would meet the carrier percentage obligation or how the compliance burden and additional fees would be distributed. It is also unclear whether compliance is even possible, given that exporters have no ability to control ocean carriers' decisions on how their vessels are flagged or where these vessels are built, and given the time required to revitalize the U.S. shipyards and manufacturing industry.

In summary, while USMEF appreciates USTR's findings regarding China's actions and practices in this sector, we question whether the proposed remedies will effectively address the situation. In fact, the practical impact of these proposals on U.S. exporters is likely to be negative and punitive. Revitalization of the United States' maritime shipping and ship-building industries is a worthwhile goal, but it should not be accomplished on the backs of U.S. exporters who must navigate a highly competitive global marketplace. The proposed fees and requirements will dampen many U.S. industries' ability – and their incentive – to export products, due to higher costs and reduced services at the ports utilized by many U.S. exporters. USMEF respectfully urges USTR and other relevant agencies to examine alternative methods of incentivizing investments in the domestic construction of vessels and operation of U.S.-flagged vessels – methods that will not penalize the U.S. industries that produce the cargo these ships are intended to transport.

Sincerely,

Dan V. Halstrom

Dan V. Halstrom
President and CEO
U.S. Meat Export Federation