IDFA
International
Dairy Foods Association

Office of the U.S. Trade Representative
600 17th Street NW
Washington, D.C.

Submitted electronically via https://comments.ustr.gov/s/

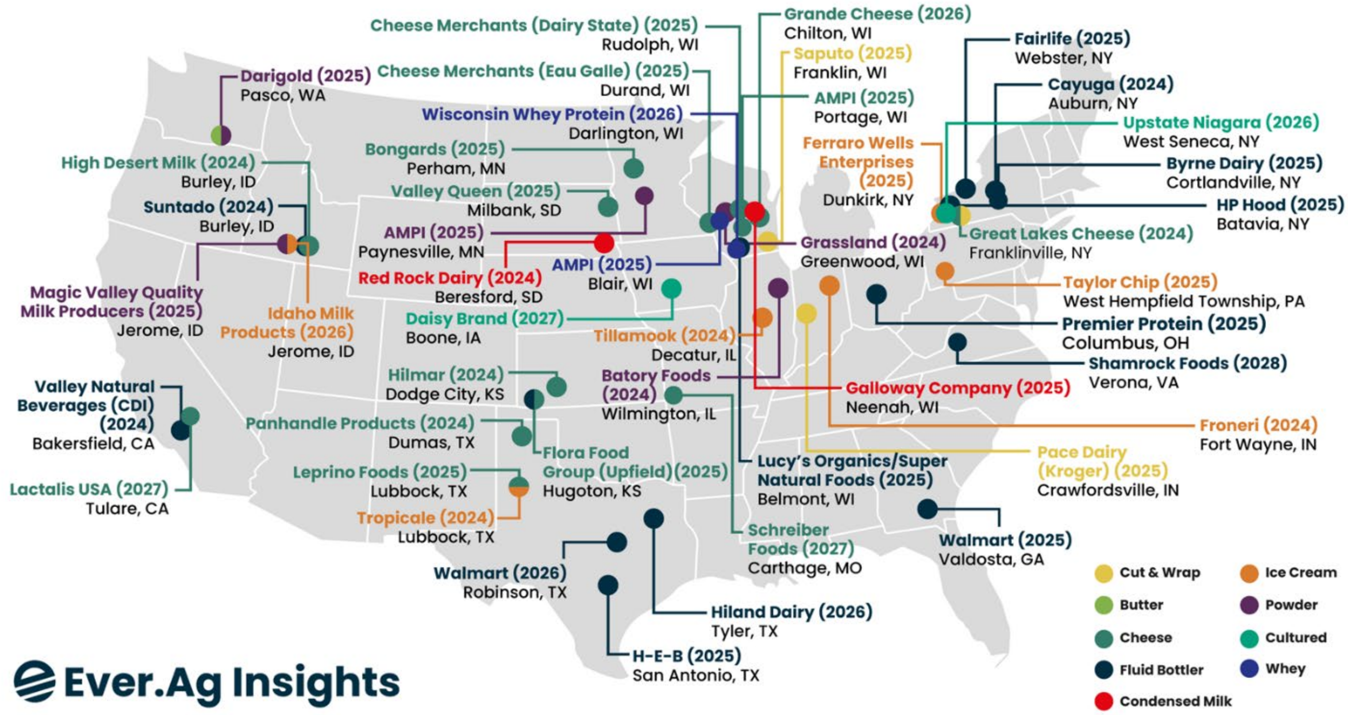
March 24, 2025

To Whom It May Concern:

Thank you for the opportunity to provide comments on the Office of the U.S. Trade Representative's (USTR) "Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance", hereafter "Proposed Actions", docket number USTR-2025-0002.

As you may know, the International Dairy Foods Association (IDFA) represents the nation's dairy manufacturing and marketing industry, which supports more than 3.2 million jobs that generate $49 billion in direct wages and $794 billion in overall economic impact. IDFA's diverse membership ranges from multinational organizations to single-plant companies, from dairy companies and cooperatives to food retailers and suppliers, all on the cutting edge of innovation and sustainable business practices. Together, they represent most of the milk, cheese, ice cream, yogurt and cultured products, and dairy ingredients produced and marketed in the United States and sold throughout the world.

To ensure the context of IDFA's comments on the Proposed Actions are fully understood, it is important to know the significant growth in processing manufacturing currently underway within the U.S. dairy sector. At present, there are approximately 1,200 dairy processing facilities in the United States that process one or more dairy products. However, that number is steadily growing as the U.S. dairy industry is modernizing its production capacity and expanding its manufacturing footprint to meet surging global demand for dairy products and ingredients. According to recent estimates, the U.S. dairy industry has invested more than $8 billion in new processing capacity that will come online in the next few years:



In addition, the U.S. dairy industry is a sector that is heavily reliant on exports. After being a net importer of dairy products a decade ago, the United States now exports over $8 billion worth of dairy products to 133 countries. U.S. dairy exports have nearly tripled since the early 2000s, and the United States became the world's third-largest dairy product exporter behind New Zealand and the European Union (EU). Today, approximately one day's worth of milk produced on America's dairy farms each week is exported, or roughly 18% of all production. As U.S. milk production continues to increase over the next decade, the global competitiveness of the industry will be critical to continue to boost the dairy sector as part of the American economy.

In 2021 and 2022, at the height of COVID-19 supply chain pressures, ports were skipped by vessels, containers backed up, warehousing overflowed, and milk – a commodity that is harvested 7 days a week, 365 days a year. The only way many IDFA member exporters were able to resolve such congestion was by partnering with a U.S.-flagged ocean carrier through a working group to ensure exports would be carried out of ports by its vessels. IDFA exporters' chokehold congestion on exports at that time was resolved in just a couple months after the intervention and support of a U.S.-based carrier – where foreign-owned carriers had no interest in helping. It is these experiences that gave IDFA's shippers personal knowledge the importance of U.S.-owned, -operated, and -flagged vessels can have, which is why IDFA applauds U.S. efforts to strengthen the U.S. shipbuilding sector, to decrease reliance on China, and to boost manufacturing jobs. IDFA further specifically applauds U.S. efforts to restrict China's National Transportation and Logistics Public Information Platform (LOGINK).

However, IDFA members are deeply concerned that the Proposed Actions currently under consideration would have significant and negative unintended consequences with dairy supply chains that would far outweigh any potential benefits. With the above context, IDFA elaborates on these concerns below:

Penalties vs. Support

The stated objective of the Proposed Actions in the Notice is "to create leverage to obtain the elimination of China's targeting of these sectors for dominance." However, the Notice then immediately states the only method it will use to create such leverage is "to take action against certain services of China." Unfortunately, this means only penalties are being considered to "create leverage", rather than, for example sector-focused policies that would bolster U.S. shipbuilding. U.S. shippers report that the U.S. shipbuilding sector faces a shortage of workers, the diversion of resources from commercial shipbuilding to naval shipbuilding, and a shortage of additional resources needed to overcome these challenges. Fundamentally, sector-specific production is strengthened and increased through greater investment, a robust workforce, and at times, even government support. The Proposed Actions include a number of penalties that effectively penalize an at-capacity production chain – one that is already being penalized by tariffs – rather than supporting it.

Negative Economic Impacts and Additional Unintended Consequences

IDFA recently co-funded an economic impact study conducted on the proposed measures, entitled "The Economic Effects of Proposed Action in the Section 301 Investigation of China's Maritime, Logistics, and Shipbuilding Policies and Practices".[1] The findings are alarming for an export-reliant commodity like dairy; they predict:

- Over 8% decrease in dairy exports, depending on the implementation option selected;

[1] https://tradepartnership.com/wp-content/uploads/2025/03/Shipbuilding-Remedy-Study.pdf

- Nearly 14% decrease in dairy imports, which sometimes includes inputs to U.S. processing; and
- Unquantifiable net negative impact on imported inputs.

Unfortunately, the negative impacts are not just limited to economic analysis and predictions. IDFA members have already received communications from shippers and forwarders of their products indicating their expectations that the Proposed Actions will shift U.S. port business to other parts of the world. For instance, one shipper shared information with IDFA exporting members that the Proposed Actions would in their estimates "raise the cost of goods exported from the United States…causing a shift in $92.3 billion in export business away from the United States to other countries." Another IDFA member received a communication from a shipping provider that services the Caribbean, highlighting the diversion of U.S. exports:

> *"If adopted, this tariff…of USD $1 million per port call on any Chinese-built vessel calling at U.S. ports...tariff would have a far-reaching financial impact on exporters to the Caribbean. As you may be aware, most vessels serving the region were built in China. As a result of this tariff fee, ocean freight rates from Florida will increase by thousands of dollars per TEU."*

Additionally, some operators appear to already be reserving vessels in certain ports in anticipation of a surge of products to flow to the U.S. ahead of possible tariff actions, creating the effect of taking capacity out of the market and in turn, inflating pricing. Many shippers indicate they expect to have to skip ports and reroute ships to avoid fees should the Proposed Actions be implemented. Such scenarios would adversely impact American workers in U.S. port operations, warehousing, trucking, and all other aspects of logistics.

IDFA members are concerned that the Proposed Actions may increase shipping costs for U.S. exporters and decrease the competitiveness of American shipping companies and producers of products in the United States. They also have strong concerns that the Proposed Actions and the afore-mentioned consequences will cause significant supply shock for a period, reproducing the supply chain effects of COVID-19 as companies shelve inventory because their costs are soaring. They are also concerned this could then be followed by inventory glut and price shock to get goods moving normally again, creating disruption without clear benefits.

Finally, IDFA is concerned that additional, unquantifiable unintended consequences may also occur. IDFA members currently constructing new facilities have stated their frustration that with steel for manufacturing equipment and facilities also now being tariffed already, these new measures would effectively act as a double-tariff. Other members indicate concern that there may be a possible delay in access to food safety-critical materials like packaging. Members also indicate concern that even once the U.S. shipbuilding sector begins regaining strength, there will be significant needs for additional merchant marine workforce that cannot be trained and developed overnight.

Unclear and Impractical Implementation

Throughout the proposed measure it remains unclear to shippers trying to prepare for who will ultimately bear responsibility for various recommendations. For instance, it is unclear who will be charged the fees, and whether they will be levied against the flag or the build of vessels. It is further unclear who would be responsible for tracking percentage of U.S. ship usage, and who is responsible for the "usage" – the manufacturer of origin, further processor, freight forwarder, importer, or other actors. The lack of clarity in the current Proposed Actions as written will adversely impact small- and medium-sized traders who will be forced to pay fees and track such actions as a terms of business required by much larger freight forwarders and shippers – such historical behaviors are in fact the reason the Ocean Shipping Reform Act became law. IDFA strongly encourages clarification of such details well in advance of any implementation.

Insufficient Stakeholder Consultation

While IDFA greatly appreciates the opportunity to provide comments on this notice, as well as the standard, non-expedited comment period and the hearing opportunity, we remain deeply concerned by knowledge of existing Executive Order drafts on this subject that have been circulating across government agencies – notably without the U.S. Department of Agriculture's input. Most concerningly, the Executive Order draft was in circulation with agencies weeks before this comment period closed. For a measure designed to shift entire supply chains, reconstruct sectors, and change employment opportunities, transparent and thorough stakeholder consultation will be critical to ensuring American companies can maximize the "leverage" any Proposed Actions are intended to create. IDFA respectfully urges USTR to consider all stakeholder comments and testimonies and revise any Proposed Actions to align with

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the interests and needs of American agricultural producers and processors, who will otherwise be unnecessarily adversely impacted.

Alternative Actions:
In addition to our concerns, IDFA would like to suggest alternative actions for USTR to consider prior to implementation. IDFA respectfully requests USTR:

- Consider exempting perishable goods from the Proposed Actions for the purposes of national and food security;
- Consider alternative actions that focus on incentivization for U.S. sectors rather than penalties aimed at China;
- Delay implementation of any EO or rule until stakeholder comments can be addressed and a revised proposal can be circulated for further consideration;
- Provide a clear plan for how the U.S. shipbuilding sector will be resourced and supported to achieve the stated objective prior to implementing any penalties listed in the current Proposed Actions; and
- Consider revisions to Proposed Actions that provide a phased approach, allowing exporters and importers to transition to U.S. vessels as rapidly as feasible without unnecessary punitive fees such as currently proposed.

IDFA appreciates the opportunity to comment on the Proposed Actions and respectfully requests USTR's consideration of these comments in any actions it implements. IDFA and its members would be happy to collaborate on any questions you may have.

Sincerely,

Becky Rasdall Vargas

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