

Background

With extensive coastlines on both the Pacific and Atlantic Oceans, the US is a maritime nation. The US economy and national security depend on sea power. In the early 1950s, the US had approximately 1,288 US flagged vessels engaged in international trade. Currently, a meager 80 US flagged vessels are engaged in international trade. In stark contrast, China has 5,500 vessels engaged in international trade, boasts a rapidly expanding naval fleet and has become the world's largest shipbuilding nation, eclipsing Korea, Japan and all other nations combined. China has further expended its maritime capabilities and today dominates the production of ship-to-shore cranes, maritime cargo equipment, logistics and maritime software, as well as other maritime specialty areas.

The bipartisan Shipbuilding and Harbor Infrastructure for Prosperity and Security (SHIPS) for America Act (the "[SHIPS Act](#)"), filed in the US Senate and its companion Building SHIPS in America Act, filed in the US House of Representatives, set an ambitious goal of expanding the US flag fleet by 250 ships over the next decade. These bills were recently reintroduced in Congress by Sens. Mark Kelly (D-AZ), Todd Young (R-IN), Rep. Trent Kelly (R-MS) and Rep. John Garamendi (D-CA), respectively. These pieces of legislation have the potential to transform the US merchant marine, and significantly enhance US maritime infrastructure and shipbuilding capacity.

The pending legislation is one of three maritime initiatives or pillars that are being championed by the Trump Administration to bolster the US merchant marine and transform the US shipbuilding industry. They also include:

1. The April 9, 2025 [Executive Order](#) titled "Restoring America's Maritime Dominance" that focuses on national security concerns
2. The April 17, 2025, Office of US Trade Representative (USTR) Notice of Action and Proposed Action issued pursuant to its Section 301 Investigation of China's Targeting the Maritime, Logistics and Shipbuilding Sectors for Dominance (the "[301 Notice](#)") that sets service fees on Chinese owned, operated and/or built vessels.

These three initiatives represent a coordinated and well-orchestrated effort by Congress and the Trump Administration to revitalize the US shipping and shipbuilding sector. The SHIPS Act is more than an effort to merely bolster the US merchant marine – its intended purpose is to aggressively rebuild and restore the US merchant marine (commercial) shipping fleet in all classes of vessels, restore US shipbuilding capacity and bolster and expand training for maritime education, all with the aim of strengthening the US ability to handle both commercial and national defense shipping needs.

The Building SHIPS in America Act contains companion revenue generating and tax incentives designed to encourage investment in shipyards.

Legislation Explained

Highlights from the proposed legislation include:

- Better coordination of US maritime policy by establishing the position of maritime security advisor within the White House. This individual would lead an interagency Maritime Security Board tasked with making whole-of-government strategic decisions for how to implement a national maritime strategy and ensure that the strategic/policy decisions between federal agencies that regulate different maritime issues – the Department of Transportation, Maritime Administration, Department of Defense and US Coast Guard – are aligned.
- Establishment of a Maritime Security Trust Fund that would be overseen by the interagency Maritime Security Board and would be used to reinvest duties and fees paid by the maritime industry (including fees paid pursuant to the Section 301 action discussed above) into maritime security programs and infrastructure supporting maritime commerce. Thus, the proposed legislation is directly linked to the 301 Notice as fees paid pursuant to the 301 Notice would be a dedicated source of funding for critical maritime security programs. The goal is to implement the Maritime Security Trust Fund starting in the 2026 fiscal year to cover a wide range of activities, such as shipyard modernization, vessel construction, training and education, as well as ports and logistics infrastructure.
- To ensure sealift readiness and increase US commercial presence, expansion of the US international fleet by adding 250 US-flagged ships¹ in 10 years through the creation of the Strategic Commercial Fleet Program. The Strategic Commercial Fleet program would be at the core of the SHIPS Act. These vessels would be US-built, US-manned and owned by US citizens or qualified operators. They would serve two purposes: capable of commercial operations and available to the US Defense Department, if required, for strategic sealift needs. Commercial operators in this program would enter into contractual agreements with the Maritime Administration (MARAD) for seven-year terms, which could be renewed twice for a total of 21 years, which is the expected life of an average commercial vessel. This program is also designed to benefit US shipyards by creating a stable demand for new vessels.

¹ The goal is to construct a wide variety of vessels such as Ro/Ro, heavy lift, LNG tankers, container and break bulk vessels.

- Imposing uncapped penalty duties for vessels linked to foreign entities of concern or shipyards of concern (specifically including China, Russia, Iran and North Korea), which would face a US\$5 per net-ton penalty tax on port fees. The maritime security advisor, in consultation with the Maritime Security Board, would designate these shipyards. This process would be subject to notice-and-comment rulemaking, as well as annual revision.
- Going a step beyond the USTR Section 301 port fees, imposing “penalty taxes” on ships tied to Chinese shipyards. Specifically, vessels owned or operated by “foreign entities of concern” would face a US\$5 per net-ton penalty tax on port fees. Crucially, the same US\$5/ton penalty applies to non-Chinese shipping companies, if a large share of their newbuild fleet is ordered from a Chinese “shipyard of concern” (initially defined to include China’s state-owned CSSC, with other foreign yards added after October 1, 2027).
 - For example, any non-Chinese owner who has 50% or more of its vessels on order at a designated foreign yard in the next 24 months would pay the full US\$5/ton surcharge. Intermediate tiers apply lower surcharges (US\$3.50/ton if 25–49% of ships are ordered at a yard of concern, and US\$1.25/ton if at least half of a fleet was built or repaired at such yards in the past three years). Only the highest applicable penalty rate is levied, but these fees would be in addition to the existing USTR port fees on Chinese vessels. All such fees would be directed into the Maritime Security Trust, intended to catalyze the US shipbuilding industry
- Retaining and strengthening prior proposals to adjust US tonnage taxes and lighthouse duties for foreign-owned ships. Under the SHIPS Act, a vessel owned or registered in a “foreign country of concern” (initially China) could no longer claim any suspension or discount on US tonnage taxes — effectively adding roughly US\$1 per net-ton for Chinese ships as originally proposed.
- Establishing a Rulemaking Committee on Commercial Maritime Regulations and Standards to reduce regulatory burdens on industry.
- Expanding cargo-preference quotas by requiring more cargo onto US-flagged and US-built ships. Cargo-preference quotas apply to:
 - Government-funded cargo.
 - A portion of commercial goods imported from China starting at the rate of 1% in 2029 and going up to 10% by the 14th year.
 - US crude oil, 3% of which would have to be carried on US-flag tankers for the first four years, eventually increasing to 10% from Year 14 onward.
 - US liquefied natural gas (LNG), 2% of which would have to sail on US-flag LNG carriers for the first five years. Eventually, the proposed legislation would require 15% of US LNG to sail on US-built LNG vessels from Year 22 onward.
- These percentages generally mirror the original December 2024 proposal but go beyond the USTR’s final plan. The USTR had settled on a narrower LNG-only rule of 1% US-flag beginning in 2028, rising to 15% by 2047. In all cases, any US exporter or shipper failing to meet the quota would face stiff penalties; for example, a firm missing the China-import requirement would be fined the freight-cost difference to a compliant US vessel.
- Expanding the US shipyard industrial base, for both military and commercial oceangoing vessels, by establishing a 25 percent investment tax credit for shipyard investments, transforming the Title XI Federal Ship Financing Program into a revolving fund and establishing a Shipbuilding Financial Incentives program to support innovative approaches to domestic shipbuilding and ship repair.
- Accelerating US leadership in next-generation ship design, manufacturing processes and ship energy systems by establishing the US Center for Maritime Innovation, which would create regional hubs across the country.
- Bolstering the maritime workforce by establishing a Maritime and Shipbuilding Recruiting Campaign, allowing mariners to retain their credentials through a newly established Merchant Marine Career Retention Program and increasing investment in the US Merchant Marine Academy, and providing support for State Maritime Academies and centers for maritime workforce training and education.

Potential Implications for Industry

The Trump Administration has taken an aggressive approach to bolstering the US maritime sector. If enacted, the SHIPS Act and Building SHIPS in America Act would have a profound impact on both the maritime industry but more broadly across the entire supply chain. Higher capital and operating costs for US-built and operated vessels could translate into higher freight rates for US shipments. How these costs can be mitigated is yet to be seen. The potential impact on US energy experts, especially LNG, remains to be seen given that there are currently no US LNG vessels. Moreover, the impact on US/China trade could likewise be profound as the legislation comes at a time of heightened trade tension between the countries. Shippers, freight forwarders and logistics firms will need to rethink whether the current supply chains and trade routes are still commercially viable given the pending legislation.

Policy and Legislative Outlook

The SHIPS for America Act enjoys bipartisan backing and aligns with broader Trump Administration priorities around maritime revitalization and industrial policy. Still, its legislative path depends on navigating complex jurisdictional terrain, committee alignment and strategic stakeholder engagement. Many provisions fall into a gray zone of congressional jurisdiction. In the House of Representatives, the Armed Services Committee (HASC) is expected to lead, while the Transportation and Infrastructure Committee – whose interests are also implicated – may participate as an outside conferee during the FY26 NDAA process.

In the Senate, select shipbuilding provisions are under discussion for inclusion in the Armed Services Committee (SASC) markup. However, a more expansive legislative push is expected through the Commerce, Science and Transportation Committee (CST). Informed sources indicate that CST leadership and other members are already coordinating on a path forward.

This jurisdictional divide calls for a dual-track advocacy strategy. In the House of Representatives, HASC offers the most promising venue for securing commercial and sealift fleet provisions. In the Senate, success will likely require distinct messaging: framing the bill's defense value to engage SASC, while highlighting its commercial and infrastructure benefits to resonate with CST. Stakeholders should consider parallel outreach to CST members and staff – especially those focused on maritime competitiveness and port infrastructure.

Substantively, the SHIPS Act reflects the growing convergence of national security and international trade policy. It blends economic nationalism, industrial planning and strategic competition with China – directly challenging Beijing's dominance in shipbuilding, logistics and maritime equipment. Its proposed penalties on vessels tied to Chinese shipyards or foreign entities of concern go beyond prior Section 301 actions. By embedding long-term cost disincentives into port access, the bill aims to shift global ship ordering behavior through economic leverage.

This approach raises enforcement challenges and may also attract scrutiny under World Trade Organization (WTO) rules, particularly if viewed as discriminatory or as an indirect mandate to use domestic shipyards.

Notably, the bill's creation of a Maritime Security Trust Fund, financed in part by these penalties, is a novel policy innovation. It builds on earlier proposals for revolving investment vehicles tied to trade revenues and could become a model for future "trade-for-security" tools. The interagency governance framework, anchored by a new Maritime Security Advisor and Maritime Security Board, may also offer a prototype for whole-of-government industrial strategies in other sensitive sectors, such as semiconductors, biotechnology and critical minerals.

The proposed legislation leverages trade penalties, tax reform and federal purchasing power to significantly increase the size of the US flagged fleet, as well as further reflects the continuing merging of national security and economic issues. Whether the legislation sails through Congress, or faces rough waters ahead remains to be seen. However, interested stakeholders should take note and engage with their representatives as the two bills potentially advance.

Contacts

D. Michael Kaye

Partner, Washington DC
T +1 202 457 6545
E michael.kaye@squirepb.com

Michael J. Wray

Of Counsel, Houston
T +1 713 546 3330
E michael.wray@squirepb.com

Pablo E. Carrillo

Of Counsel, Washington DC
T +1 202 457 6415
E pablo.carrillo@squirepb.com

Ludmilla L. Kasulke

Partner, Washington DC
T +1 202 457 5125
E ludmilla.kasulke@squirepb.com

Anya Bharat Ram

Associate, Washington DC
T +1 216 457 5222
E anya.bharatram@squirepb.com