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Tax Newsflash

U.S.-China trade tensions update: Export controls and Maritime port fees

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The China-U.S. Economic and Trade Teams convened in Kuala Lumpur in October 2025 and reached multiple consensus outcomes by 30 October:

- The U.S. will revoke the 10% "fentanyl tariffs" and extend the suspension of its 24% reciprocal tariffs on Chinese goods (including those originating from Hong Kong and Macao) for an additional year. In response, China will make corresponding adjustments to its countermeasures against the aforementioned U.S. tariffs, with both sides agreeing to continue extending certain tariff exclusion measures.

- The U.S. will suspend the implementation of its export control "50% Ownership Rule" for one year. China will similarly suspend the relevant export control measures announced on 9 October for the same duration and refine the specific implementation plans.

- The U.S. will suspend for one year the measures under its Section 301 investigation targeting China's maritime, logistics and shipbuilding industries. China will correspondingly suspend its countermeasures against the U.S. for the same period.

Additionally, the two sides reached consensuses on matters including fentanyl anti-drug cooperation, expanded agricultural product trade, and the handling of individual cases involving relevant companies.

Below is a summary of the key provisions of the recent regulatory measures on export controls and maritime port fees, which have been mutually suspended for one year following the talks. It is worth noting that neither side has substantively revoked the underlying policies. As a result, uncertainties remain in the outlook for China-U.S. trade. Companies are advised to closely monitor developments in this regard and fully leverage the one-year window to make thorough preparations.

Export controls

U.S.

On 29 September 2025, the U.S. Bureau of Industry and Security (BIS) rolled out a landmark expansion of its export control regime, namely the "50% ownership-based affiliates rule."

Key provisions

- Any entity that is at least 50 percent owned by one or more entities on the *Entity List* or the *Military End-User (MEU) List* would itself automatically be subject to *Entity List/MEU List* restrictions.

- For an entity at least 50 percent owned by multiple entities subject to different Export Administration Regulations (EAR) license requirements pursuant to some combination of the *Entity List*, *MEU List* or *Specially Designed Nationals and Blocked Persons List (SDN List)*, it would be subject to the most restrictive license requirements, license exception eligibility, and license review policy applicable to one or more of its owners under the EAR.

- Adding Red Flag #29 - According to BIS guidance, when an exporter, reexporter, or transferor "knows" (has knowledge) that one or more shareholders of a transaction party are listed on the *Entity List* or the *MEU List*, it has an affirmative duty to verify the ownership stake held by such listed entity. If the exact ownership percentage cannot be determined, the exporter, reexporter, or transferor must apply for a license from BIS before proceeding with the transaction, unless a license exception is available.

Strategic implications

The EAR imposes additional licensing requirements for exports, reexports, and transfers involving any listed entity as a transaction party. Prior to this revision, BIS applied a "legally distinct" standard for applying restrictions to subsidiaries and other foreign affiliates of entities on the *Entity List*. The updated rule is designed to close loopholes that companies have exploited through offshore joint ventures or third-country subsidiaries. While it bolsters U.S. leverage over global supply chains, the rule has drawn criticism from U.S. allies and multinational corporations over concerns of regulatory overreach and heightened compliance complexity.

China

On 9 October 2025, China's Ministry of Commerce (MOFCOM) and the General Administration of Customs jointly issued a series of bulletins imposing export controls on commodities, equipment, and technologies pertaining to rare earth, semiconductors, superhard materials, and lithium batteries, etc.

Key provisions

- **Technology control**: Exports (including transfers via licensing, cooperative research and development, and other forms) of certain technologies and their carries associated with rare earth mining, smelting and separation processes would be subject to strict controls. Additionally, foreign entities or individuals must obtain prior approval from MOFCOM before exporting to non-Chinese parties the designated items manufactured outside China that utilize Chinese-origin technologies related to rare earth mining, smelting and separation, etc.

- **Ownership-based restrictions**: Export license applications would generally be rejected for shipments to importers and end-users included on the export control list and the watchlist -this scope encompasses their subsidiaries, branches, and other affiliated entities in which they hold a 50% or greater ownership stake.

- **End-use review**: Licenses would typically not be granted for exports destined for foreign military end-users, nor for those intended or with potential for use in military applications and other specified purposes. Exports targeted at specific end uses linked to semiconductors, military-applicable artificial intelligence, and related fields may be subject to case-by-case review and approval.

- **Personnel restrictions**: Domestic organizations and individuals would be prohibited from providing any form of substantive assistance or support for overseas rare earth mining, smelting, separation and other related activities without securing prior official approval.

Strategic implications

China commands over 90% of the global rare earth refining capacity and maintains a dominant position in key patents related to rare earth concentration technologies. Consequently, its regulatory measures are poised to exert a material impact on global supply chains, particularly within the semi-conductor and automotive sectors. These developments underscore the broader strategic dynamics shaping international trade, whereby major economies leverage their footholds in critical supply chains - mirroring measures previously implemented by the United States – to advance their industrial development and national security objectives.

Maritime port fees

U.S.

Marking a significant escalation beyond conventional tariffs and export control measures, the U.S. Trade Representative and U.S. Customs and Border Protection introduced new China-related port fees, effective 14 October 2025.

Key provisions

- The fees cover three categories as follows:

  1. **Fee on vessel operators and vessel owners of China**: a fee in the amount of $50 per net ton for an arriving vessel owned or operated by a Chinese entity;
  2. **Fee on vessel operators of Chinese-built vessels**: the higher of a fee in the amount of $18 per net ton, or $120 for each container discharged, from an arriving Chinese-built vessel; and
  3. **Fee on vessel operators of foreign-built vehicle carriers**: a fee in the amount of $14 per net ton for an arriving non-U.S. built vessel classified as a vehicle carrier or roll-on/roll-off vessel.

- The charge rate for categories 1 and 2 would be increased incrementally over the next three years. They would apply to individual U.S. port entry "strings" (i.e. a rotation or sequence of U.S. port calls) and would be charged up to five times per year, per vessel.

- The measure is justified as a response to "unfair port subsidies," perceived national security risks, and alleged overcapacity in China’s shipping industry.

Strategic implications

The policy is intended to bolster U.S. maritime dominance and counter China’s leading position in the maritime, logistics, and shipbuilding sectors. That said, it would inevitably impose additional costs, complexity, and uncertainty on the global shipping supply chains, with the financial burden ultimately borne by participants across the global trade ecosystem.

China

China moved swiftly to retaliate with reciprocal countermeasures, announcing via the Ministry of Transport in October 2025 the imposition of special port fees on designated vessels calling at Chinese ports, effective 14 October 2025.

Key provisions

- The special port fee would apply to vessels engaged in international maritime transport that meet *any* of the following criteria:

    1. Owned or operated by U.S. companies, organizations, or individuals;
    2. Owned or operated by companies or organizations in which U.S. companies, organizations, or individuals directly or indirectly hold at least 25% of equity (including control over board seats or voting rights);
    3. Flying the U.S. flag; or
    4. Constructed in the U.S.

    Exemptions from the special port fee may be granted under specific circumstances, including all China-built vessels falling under criteria 1 to 3 above; and unladen vessels calling at Chinese shipyards exclusively for repair purpose.

- The special port fee would be levied on a per-voyage basis, calculated by net tonnage, with incremental phase-in adjustments as follows:

    - 14 October 2025: RMB 400 per net ton
    - 17 April 2026: RMB 640 per net ton
    - 17 April 2027: RMB 880 per net ton
    - 17 April 2028: RMB 1,120 per net ton

- The fee would be payable only at the first Chinese port of call for each voyage, irrespective of subsequent calls at other Chinese ports. Each vessel would be subject to the fee for a maximum of five voyages per calendar year; additional voyages would be exempt upon submission of valid proof of prior fee payment.

Strategic implications

China's countermeasures are calibrated to impose commensurate economic costs, leveraging its status as a leading global operator of container ports. These measures could have a material impact on U.S. shipping companies and regional port authorities, many of which depend on stable trans-Pacific trade flows, underscoring the interconnectedness of global maritime supply chains amid lingering bilateral trade frictions.

How we can help

Against the backdrop of escalating U.S.-China trade restrictions and evolving export control regimes, we offer targeted advisory services to help businesses uphold regulatory compliance, drive cost efficiency, and fortify supply chain resilience:

- **Customs compliance review**: Conduct comprehensive assessment of import and export workflows to ensure alignment with the evolving customs regulations of the U.S. and China, including cross-border implications stemming from new port fees and sanctions-related measures.
- **Port fee and duty impact analysis**: Evaluate the financial implications of U.S. port fee levies and China's corresponding countermeasures, and identify viable mitigation strategies within the bounds of existing trade frameworks.
- **Export control screening (BIS & China ECL)**: Deploy practical screening tools to flag shipments, entities, and technologies subject to the U.S. 50% Ownership Rule or China's extraterritorial control measures – with a focus on rare earths and dual-use items.
- **Supply chain visibility**: Map critical trade corridors and advise actionable strategic recommendations to enhance compliance and operational efficiency amid intensified customs and trade enforcement scrutiny.

Our Customs & Global Trade team combines local market knowledge and technical expertise to help clients navigate this increasingly fragmented and high-risk landscape - enabling them to maintain full compliance without compromising operational agility.

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