30th

International Maritime Lecturers Association Conference

Split Croatia

www.imla30.org

TRUMP'S NEW TARIFF POLICY AND ITS IMPACT ON THE SHIPPING INDUSTRY

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Abstract. President Donald Trump has levied new tariffs on all imports to the USA, triggering immediate retaliations from other nations, including the European Union (EU), Canada and China. Tariff wars are expected to impose negative impacts on the international trade and shipping industry, as higher tariffs will likely result in rising operational costs, decreased demand for shipping services, and reduction in long-term sustainability of the maritime industry. This paper presents various detrimental consequences that Trump's U.S. tariff policy has inflicted on the maritime industry. The paper also argues that new tariffs may help accelerate the supply chain diversification, as companies become fiscally motivated to creatively dodge excess tariffs. For example, companies may decide to partially move production to countries not on the country-specific list of higher tariffs.

Keywords: US Tariff Policy; Shipping Industry; Supply Chains, International Trade.

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https://doi.org/10.7225/imla30.25

1. INTRODUCTION

At this point, the U.S. tariff policy presents two strong characteristics: an unprecedented expansion of protectionism; and chaotic unpredictability. Both characteristics bring disastrous impacts to international trade and the global transportation industry. Currently, the U.S. government has announced a universal 10% baseline tariff on all countries for their imports to the USA, steep country specific add-ons, and sectoral protection on steel, autos, and energy-linked sources. A special case is the tariffs on Chinese goods, which has surged to 145% as of April 9, 2025, and later reduced to 30%, with a 10% basic rate still in effect. Yet, the implementation of tariff policy instruments depends on pending negotiations between countries, legal reviews, and dynamic interactions paired with economic situations. The coming weeks and months will be pivotal as negotiations, court rulings, and rulemaking continues to unfold on a global stage.

In the short term, it is well anticipated that uncertainty regarding U.S. tariff policy will bring tremendous chaos and hasty reactions from sectors inside America and countries around the world. Just like the comments by Jens Eskelund, the Beijing-based president of the EU Chamber of Commerce in China, "Companies want to front load, because they simply don't know what just a few weeks down the road, what reality is going to look like" (Wright R., et al., 2025).

Mainstream economists have express concerns that these tariffs could disrupt international trade, challenge the established global economic order, reignite inflation in the U.S., trigger a full-scale trade war, and slow down global economic growth. Given the shipping industry's critical role in sustaining the interconnected global economy over the past 50 years, these new tariffs are expected to cause major disruptions. Potential consequences may include shifts in trade routes, rising operational costs, decreased demand for shipping services, and a plummet in efficiency and profitability of maritime companies.

This article argues that it is true that shipping industry is under the huge pressure of the new U.S. protectionist policy and potential tariff wars among countries. While maritime companies face rising threats from shipping costs, reduced demand for their services, the U.S. tariff policy nowadays also presents an opportunity for the industry to undergo supply chain diversification and reorganization. As a result of the COVID-19 crisis and high labor costs, we additionally expect to see accelerated trends of global manufacturing centers shifting away from China, and towards Southeast Asian countries (e.g. Vietnam and Thailand). Trade between Asian countries will be greatly expanded, in addition to expanded trade between Asian and Southern American countries, such as China-Mexico trade.

The paper is structured as follows: Section I is introduction. Section II examines the adverse consequences of US tariff policy on shipping industry. Section III look into the opportunity the US new tariffs and subsequent tariff war accelerate the supply chain reorganization and diversification. Section IV concludes.

2. ADVERSE CONSEQUENCES OF US TARIFF POLICY

When U.S. tariff policy is used so aggressively and unpredictably, the adverse effects can be wide-ranging and impact both domestic and international stakeholders. The negative consequences resulting from the tariffs might include higher costs transferred to consumers and businesses, supply chain disruptions, discouragement of international investment, global trade tensions, macroeconomic instability, market volatility, and potentially slowdowns in economic growth. In this section, we focus on our discussion of the impacts of Trump tariffs on shipping industry.

2.1. Rising Costs of Shipping Companies

The clear and imminent effect of higher U.S. tariffs is to increase the costs of maritime transportation. Tariffs on shipbuilding materials, such as steel and aluminum, raise the cost of vessel construction and repair. Thus, U.S. tariffs exacted on imported goods may be passed along to freight forwarders and logistics companies in the form of higher insurance and customs processing fees. As a result, import/export demand for shipping companies is to be reduced, especially for bulk carriers and container lines. For instance, the U.S.–China trade war led to a measurable decline in trans-Pacific shipping volumes in recent months. This situation becomes even more alarming when President Donald Trump announced his plan to charge hefty U.S. port call fees on ships with links to China. As a result, the S&P Global Market Intelligence predicted that the volume of U.S. ocean container freight imports would drop 0.7% in 2025. Another maritime consultancy, Drewry, stated that the agency expected global container port volume to fall 1% as a direct result of U.S. trade policies.

Tariffs inevitably raise costs, and ocean freight is one of the first sectors to feel the pinch. When tariffs were imposed during the 2018 trade war, ocean freight rates from China to the U.S. West Coast surged over

70% in less than a year. This pattern is repeating itself in 2025. Importers are rushing to get ahead of new tariffs, increasing demand for container space and pushing spot rates upward. The result is obvious, higher costs for consumers and greater strain on shipping logistics.

2.2. Decreased container flows and U.S. port volumes

Major container shipping companies are suspending at least six weekly routes between China and the United States, as President Donald Trump's punishing tariffs on the world's top exporting country collapse trade. The ships on those routes have the combined capacity to deliver 25,682 40-foot containers stuffed with toys, tennis shoes, car parts and things U.S. manufacturers use to produce goods each week – or more than 1.3 million 40-foot containers a year. According to the claims by Simon Sundboell, CEO of Danish maritime data provider eeSea, while talking about the deductions in container vessel capacity: "This is not the precursor, it is the proof of a drop in the economic activity" (Premack, 2014').

In addition, inflationary pressures set in for consumers, as increased tariffs will lead to higher prices for imported goods, contributing to inflation. This could lead to decreased consumer spending, further reducing the demand for imported products, and subsequently the demand for shipping services.

The U.S. agricultural sectors have been huge exporters. Nowadays, they are feeling the sting of retaliatory tariffs and shipping disruptions. Buyers in key Asian markets—including China, Japan, and South Korea—are scaling back or canceling purchases of U.S. wheat, soybeans, and corn. The reasons are twofold: tariffs that inflate prices; and logistical headaches that delay shipments. This trend threatens American farmers and reduces shipping volumes for bulk carriers.

3. THE OPPORTUNITY FOR SHIFTS IN SUPPLY CHAINS AND PRODUCT MARKET

Though President Trump's aggressive tariff policies have brought on negative consequences, tariffs could act as a powerful post-COVID stimulus to speed up shifts in supply chains diversification. Supply chains could expand from the established and consolidated production sites to more agile and less centralized structures. Trump's tariffs might also encourage the manufacturers to seek new product markets outside traditional centralized market like the USA. As a result, we can anticipate a long-term shift away from China dominated supply chains, towards more diversified, resilient, and strategically aligned organizations, despite the short-term adjustments and growing pains.

3.1. Shifts in Supply Chains

The U.S. tariff uncertainty is speeding up the so called "China Plus One" activities—companies moving operations or sourcing production to other countries like Vietnam, Thailand, Cambodia, Malaysia—to diversify supply chains and avoid higher tariffs. A good example of China + 1 is that the company retains operations in China but adds sourcing and manufacturing in Vietnam for the production of apparel and electronics. Similar practices are adopted when the companies pick Mexico, Guatemala, Honduras as the Latin American alternatives for retailers like Target, Kroger, and Costco. Other destinations applicable to the China + 1 model include India, where the production of pharmaceuticals and auto parts manufacturing facilities have been established. Similar production trends are observable in Indonesia and Thailand, where components and consumer goods factories have been established.

Another potential direction of reallocation is towards politically allied nations, especially those with trade agreements and predictability. Mexico has become a popular destination for multinational cooperations because of United States—Mexico—Canada Agreement (USMCA). Taiwan, South Korea, and Japan have been selected for electronics production because of political allies. Eastern Europe is similarly utilized for European Union (EU)-bound manufacturing, due to its closeness and proximity to EU countries.

Many companies adopt tariff jumping practices, that is, to set up factories in the countries where final products will be sold to consumers as domestic goods. In this way, the companies are legally exempted from paying any tariffs. Companies like Hyundai and Honda, which already have joint ventures inside America, expand manufacturing in the U.S for the purpose of tariff evasion. Other companies such as Pfizer, ABB, Alcoa, and HP Enterprise diversify manufacturing across America, Canada, and Australia, for supply stability and tariff minimizations. Some brand names, for instance, Shushu/Tong, are considering setting up factories in Korea or Japan to avoid the 145% China tariffs.

Despite supply chain diversification as commonly intended goal, many companies run into barriers along their way. For example, insufficiency in infrastructure in the countries like Vietnam and India has become a bottleneck problem for foreign companies, as they can hardly engage in mass production in short periods of time. Combined with factors like switching cost and disadvantages in conglomeration, it is still not possible to achieve an optimally full-scale supply chain diversification, despite global interest. As a result, many companies reluctantly stayed in China due to cost, quality, and stability—despite initial diversification planning.

3.2. Exporters Seeking non-U.S. Markets

To survive the currently dire global situation brought upon by President Trump's U.S. tariff policy, some exporters are attempting to look for new product markets that traditionally stay outside the attention of international trade, such as markets in South American countries. These exporters can benefit on both fronts: one is to dodge the threats of the Trump new tariffs; and the other is to reap the gains of a first mover advantage. Chinese exporters, especially from places like Yiwu, have significantly diversified away from the U.S.—reducing their share of exports there from ~19% in 2018, to ~15% in 2024—and actively pursuing regions such as Southeast Asia, the Middle East, Africa, South America, Russia, and Europe. It is reported that Yiwu producers have booming orders from the Middle East and Southeast Asia to offset U.S./European losses. As a result, we notice more South-South trade in the global trade realignment as exporters hedge against U.S.-centric risk.

We can clearly see that as the imposition of US tariffs accelerated the diversification of supply chain, many companies began shifting away from China, particularly in vulnerable sectors like electronics. However, due to high sunk costs, supply reliability, and China's scale economy, many companies maintain a large portion of their operations in China. Furthermore, there has been one crucial strategic change in the supply chain shifts, that is, to go from cost-efficiency initiatives to resilience and geopolitical alignment purposes.

4. CONCLUSION

It is true that, under pressures of President Donald Trump's tariff policies, maritime companies are likely to face challenges such as rising shipping costs, reduced demand for their services, and lower profitability in the short term. Yet, this policy also presents an opportunity for the maritime industry to undergo strategic reorganization and adjustment, to maintain long-term viability and success. The shift in global manufacturing began during Trump's first term (2016–2020), with many Asian manufacturers relocating operations to Southeast Asian countries like Vietnam and Thailand, as well as to Mexico, to circumvent tariffs. The new U.S. tariff policies are expected to accelerate this trend, driving greater South-South trade between Asian countries and other parts of the world. In addition, there might be some emerging formation of trading partnerships and creative exploration of new product markets.

The U.S. tariff policy instruments depend on pending negotiations between countries, legal reviews, and dynamic interactions across the global economic situation. Yet, these U.S. tariffs create ongoing threats and uncertainty—much like the Sword of Damocles. Conversely, these tariffs also present opportunities for maritime companies to diversify supply chains, optimize trade routes, and enhance adaptability and creativity. By leveraging these opportunities, shipping companies can navigate successfully through turbulent times—whether facing a Red Sea crisis, the challenges of Trump's new tariff policies, or other unforeseen obstacles in the future.

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