House lawmakers crack down on Chinese ocean freight data

Reforms target the Shanghai Shipping Exchange, creates new advisory committees

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Legislation gives FMC more power to investigate potential advantages to Chinese shipping. (Photo: Jim Allen/FreightWaves)

WASHINGTON — House lawmakers have passed a bill giving regulators new power to investigate potential violations of the law by the producer of one of the most closely watched container freight indexes.

The Ocean Shipping Reform Implementation Act of 2023, which passed the chamber on Thursday by a vote of 393-24, targets China's Shanghai

Shipping Exchange (SSE). SSE publishes the Shanghai Containerized Freight Index, an aggregator of spot market data on which container freight rates in the trans-Pacific ocean trades are based.

The legislation — if also approved by the Senate — would allow the Federal Maritime Commission to look into potential advantages the SSE provides China, including the ability of the Chinese government to manipulate container freight markets to the disadvantage of U.S. businesses and consumers.

It also cracks down on Logink, a logistics management platform operated by China, by banning its use in the U.S. by port operators and marine terminals that use federal grant money.

A 2022 issue brief by the U.S.-China Economic and Security Review Commission asserted that Logink's aggregation of global freight data could provide China "an informational edge" that is anticompetitive.

"If LOGINK makes data on global transactions available to Chinese entities free or for less cost than it provides them to other users, or if it only provides certain data to Chinese entities, these entities may be able to act with an unfair advantage on international market trends ahead of other firms," the report states.

"All this could help Chinese firms compete on unequal footing in the nearly $1 trillion third-party logistics industry, in particular the freight forwarding services market estimated at just under $200 billion."

A version of the Logink ban was included in a defense spending bill signed into law in December.

“One real focus of this bill … is that it makes it harder for the Chinese Communist Party to be able to use the Shanghai Shipping Exchange or the LOGINK platform to be able to gather up all of this exquisite data about the world’s supply chains and shipping information and have it be used against our country and others,” the bill’s sponsor, U.S. Rep. Dusty Johnson, R-S.D., said on the House floor earlier this week.

Chinese container lines such as Cosco, the world’s fourth-largest liner operator, could also receive enhanced scrutiny under the legislation, which would designate a private vessel based in a nonmarket economy as a “controlled carrier” over which FMC has authority to regulate to ensure fair market rates.

New advisory committees for ports, ocean carriers

To help FMC create policies to ensure competitive container shipping markets, the legislation creates two advisory committees to complement its current shipper advisory committee: a National Port Advisory Committee and a National Ocean Carrier Advisory Committee.

The port committee will consist of 13 members, five representing marine terminal operators, five representing port authorities and three representing labor. Of the nine members of the carrier committee, at least three will represent intermediaries such as freight forwarders or non-vessel-operating common carriers.

Additional policies in the legislation include requiring the FMC to work with the maritime industry to set a new data standard for maritime freight logistics, including contracting with a third party to develop a new standard.

It also prohibits the FMC from requiring ocean carriers to report information that is already reported to other federal agencies, such as the Army Corps of Engineers, U.S. Customs and Border Protection, and the Department of Commerce.