

US 'blacklists' world's largest shipowner and shipyard group in swipe at China

Chinese giants appears on Pentagon list, together with oil major CNOOC

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By **Gary Dixon**  in **London**

China Cosco Shipping, the world's biggest shipowner, has been targeted by the US government for its alleged links to China's army.

The move came as Beijing sought to reassure markets after a rocky start to the year, following weak economic data and geopolitical uncertainty ahead of Donald Trump's return to the White House on 20 January.



State-owned Cosco appeared on a list of "military companies operating in the US" in a Federal Register filing.

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The classification was determined by the Pentagon.

Media reports described this as a “blacklisting”, but the designation comes with no specific sanctions.

Being on the list is, however, aimed at discouraging US firms from having dealings with the companies.

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Cosco shares fell as much as 4.4% in Hong Kong on Tuesday, more than the city’s benchmark stock index.

Cosco companies were sanctioned by the US in 2019 for carrying Iranian oil, sending VLCC rates soaring, but those sanctions were lifted in 2020.

UK shipbroker Clarksons lists Cosco with a vast fleet of 1,086 ships, well ahead of MSC Mediterranean Shipping Co in second place on 770.

Cosco controls vessels in all major sectors, including VLCCs, VLOCs and ultra-large container ships.

The US move highlights increased scrutiny of shipping and shipbuilding in China.

Fearnley Securities analysts Fredrik Dybwad and Nils Thommesen said: “As we are sure that markets remember the 2019 sanctions on Cosco and its effects on the tanker market, we believe the effect from this blacklisting will be of lower magnitude for crude and dry bulk.

“However, it adds to pressure and should contribute positively on the marginal for freight rates.”

The duo believes the move could have a larger effect on container shipping.

Cosco’s vessels may not be able to trade in US ports, they said.

North American imports make up about 20% of global container volumes, with China accounting for 35% to 45% of the total.

The transpacific trade is Cosco's largest route measured in teu, the investment bank pointed out.

It accounts for 28% of total trade volumes for Cosco Shipping Lines.



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"Clearly, [there is] a lot of uncertainty related to the blacklisting, but it highlights scrutiny from the US towards shipping companies which could positively benefit fleets of other companies in the period ahead," the analysts said.

Cosco has been contacted for comment.

China State Shipbuilding Corp and China Shipbuilding Trading Co were also named by the US.

Oil major China National Offshore Oil Corp (CNOOC) is on the list, as is shipowner Sinotrans & CSC Holdings, which has an extensive tanker and bulker fleet.

CNOOC has two onshore shale oil and gas projects in the US, two deepwater projects and interests in several other exploration blocks in the US Gulf of Mexico, according to Bloomberg Intelligence.

Rising tensions with Washington could cause the company to reassess its ownership of those assets, it said in a note late last month.

The companies can appeal against the Pentagon's designation. [\(Copyright\)](#)

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