Agreed Minutes of the 8th China-United States Maritime Consultative Meeting

Delegations from the People's Republic of China Ministry of Transport, and the United States Department of Transportation and other agencies, met in Suzhou, China on November 4th, 2015, discussed matters of mutual interest in shipping policy. The Chinese delegation was led by Wang Mingzhi, Deputy Director-General, Water Transport Bureau, Ministry of Transport of China and the United States delegation was led by Michael Rodriguez, Deputy Maritime Administrator and Federal Maritime Commissioner William Doyle. Full delegation lists follow as Annex One. The agreed agenda for the meeting follows as Annex Two. The discussions were friendly and productive, and both sides confirmed the value of working together to promote their mutual interests in the development of international maritime transport. Both sides appreciated the thorough preparation that enabled an extensive exchange of information.

The Chinese side introduced its opening-up policies related to shipping industry in Shanghai Free Trade Zone, and the promotion and replication of these policies in other three free trade zones which are located in Tianjin, Guangdong Province and Fujian Province. The U.S. side introduced its National Maritime Strategy, Build America Transportation Investment Center (BATIC), StrongPorts program and the implementation of TIGER---Transportation Investment Generating Economy Recovery, which is a competitive grant program to fund capital investments in surface transportation infrastructure in support of investments by private companies and State and local governments. Both sides exchanged views of investment in transportation sector by U.S. Federal Government and state-level governments.

The U.S. side provided information from Federal Maritime Commission (FMC) on liner alliances, port alliances and views and attitudes towards the COSCO-CSCL merger. In terms of liner alliances, FMC reviews the establishment of liner alliances, subject to the conditions that costs of U.S. shippers would not be increased and service standards would not be decreased. On the issue of COSCO-CSCL merger, the

U.S. side proposed constructive suggestions to COSCO and CSCL to aid FMC's decision process. In terms of port alliances, the U.S. side introduced the information on Port Alliances between Seattle-Tacoma, Los Angeles-Long Beach and measures taken to regulate fees charged by ports. FMC will solicit opinions through the U.S. Federal Register from all stakeholders on the issue of adjustment that service contracts of the shipping company would be filed with FMC after entering into force, while the current practice is that service contracts enter into force after filing. The Chinese side introduced their practices in management of agreements reached by liner companies and investigation of possible practices taken by liner alliances that would lead to unfair competition, presented the strengthened port cooperation on the basis of market-oriented operation, and appreciated the helpful exploration by the U.S. side to improve the supervision of liner alliances.

The Chinese side introduced the measures which had been taken to strengthen safety management of dangerous goods transportation after the August 12, 2015, Tianjin explosion accident. The U.S. side expressed their willingness to strengthen safety measures exchanges for dangerous goods waterway transportation.

In terms of crew education and training system, crew vocational education in elementary schools, the two sides introduced their own practices on seafarer recruitment and retention, and agreed to strength cooperation in this field.

The U.S. side represented by FMC explained that bonding companies are regulated by the U.S. Department of the Treasury and proposed that Chinese financial institutions would gain an insight into the practices of investment in bonding companies in the U.S. by consulting with the Treasury Department. Both sides agreed to further exchange views on this issue, so as to seek possible solution.

The Chinese side asked about the experience of the U.S. side in implementation of a tonnage tax regime. The U.S. side introduced its implementation progress of a tonnage tax regime for U.S. vessels since 2004, and expressed the opinion that compared to the traditional corporate tax regime, the tonnage tax regime eases the tax burden on shipping companies and increases their predictability on taxes, which helps to improve the competitiveness of U.S. fleet to some extent. However, the effects are not so obvious.

The Chinese side introduced the newly launched *Action Plan to Reduce the Pollution from Ports and Vessels (2015-2020)*, the problems occurred in application of LNG as a Marine Fuel, LNG filling station construction, onshore power supply and other problems in the implementation process. The Chinese side noted that the three Emission Control Areas in China are currently Pilot Projects in the near shore coastal port regions, which are about to be evaluated after their implementation. The U.S. side introduced the joint efforts made by the U.S. Maritime Administration and other agencies in promoting the use of LNG-powered ships, and engagement in the study on ballast water. They reiterated that key issues in promoting LNG-powered ships center on safety, regulatory requirements for fuel transfer, development of landside infrastructure and crew training. Port of Los Angeles presented their exchanges and cooperation programs with Shanghai Port in LNG-powered ships and cold ironing, and expressed their willingness to strengthen exchanges with the Chinese side on the shipping emission issues.

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The U.S. side holds the opinion that the Rotterdam Rules will facilitate the modernization and harmonization of international transportation regulations. In this respect, the U.S. side strongly supports the Rotterdam Rules. The U.S. side introduced the ratification process of the Rotterdam Rules and is in discussion with U.S. ports. The Chinese side expressed their willingness to pay closer attention to attitudes of major shipping and trading countries towards the Rotterdam Rules and to strengthen exchanges with the U.S. side.

The representatives from Chinese shipping industry inquired about personal income tax on seafarers and management requirements of minimum freight prices negotiated by liners. The U.S. side presented that U.S. Congress would have to change existing law to exempt seafarers from personal income tax. Chinese shipping industry representatives suggested that liner companies be permitted to set minimum freight rates. It is permitted by the FMC, for filed agreements, to discuss minimum freight prices among liners and the FMC always keeps a close eye on the discussion agreements in east-west bound trade. Meanwhile, faced with market downturn trend and excess of shipping capacity, the minimum freight prices negotiated by liners could be hardly realized. COSCO proposed that the FMC should solicit opinions from all stakeholders on the issue of charging detention fees on shippers in the U.S. ports.

The U.S. side expressed that further consideration would be taken into this issue. Presently, legislation process had not been considered as an option taking into account that stakeholders could coordinate efficiently to solve this issue.

The China Shipping expressed their concern on the time duration for Chinese seafarers to obtain U.S. visas in case of emergency and proposed to have visa exemption for crewmembers or to obtain visa upon entry, following the practices of some other countries and regions. The U.S. side noted that visa applications for seafarers can be processed through an expedited application channel for individual urgent cases. With regard to the issues of a visa exemption or getting visa upon entry, the U.S. side stated that its Government was not in a position to exempt crewmembers from needing a visa to seek entry into the United States. The U.S. side said that the Chinese side should raise the issue of crewmember visas at the appropriate bilateral consular consultations. The U.S. side will advise its consular officials about the interest of the Chinese side in this issue. The U.S. side also introduced the types of vessels in Mississippi River and the Maritime Administration's America's Marine Highway Program. The U.S. explained progress by the Mississippi River Cities and Towns Initiative toward establishing waterborne transport service on the M-55 marine highway.

Both sides have agreed intersessionally to exchange information on each country's shipping development and policies. The U.S. side has agreed to have the 9th annual bilateral maritime consultative meeting in 2016.

Done on November 6th, 2015 in Suzhou, China.

Michael Rodriguez
For the Department of Transportation
United States of America

Wang Mingzhi
For the Ministry of Transport
People' Republic of China

Annex 1

Participant List of the Chinese Delegation

Head of the Chinese Delegation:

Mr. WANG Mingzhi
Deputy Director-General, Water Transport Bureau, Ministry of Transport, MOT

Members and Supporting Staff:

Mr. ZHENG Heping
Deputy Director-General, Maritime Safety Administration of P.R.C.

Ms. GAO Haiyun
Director, Division of International Shipping, Water Transport Bureau, MOT

Mr. LI Tao
Senior Staff, Division of International Organization, Department of International Cooperation

Ms. YAO Chenchen (interpreter)
Principal Staff Member, Maritime Safety Administration of P.R.C

Mr. GUO Jiang (interpreter)
Principal Staff Member, Maritime Safety Administration of P.R.C

Observers:

Mr. ZHANG Shouguo
Executive Vice President, China Shipowners' Association

Mr. FEI Weijun
Vice President, China Waterborne Transport Research Institute (WTI)

Ms. SUN Shiwen
Assistant Researcher, China Waterborne Transportation Institute (WTI)

Mr. WANG Haitao
Deputy Director, China Classification Society

Mr. WANG Dongjiang

Vice President, Shanghai Shipping Exchange

Mr. ZHANG Wei
General Manager, Transportation Management Department, China Ocean Shipping (Group) Company

Mr. HUANG Feiwu
Vice Manager, Transportation Management Department, China Ocean Shipping (Group) Company

Mr. QIN Jiong
General Manager, Operational Department, China Shipping (Group) Company

Mr. GE Heyue
General Manager, America Lines Division, China Shipping Container Lines Co., Ltd.

Mr. WANG Guifu
Chief of Security, Transportation Department, Sinotrans & CSC

Participant List of the U.S. Delegation

Heads of U.S. Delegation:

Mr. Michael Rodriguez
Deputy Maritime Administrator
U.S. Maritime Administration

Mr. William Doyle
Commissioner, Federal Maritime Commission
Federal Maritime Commissioner

Members and Supporting Staff:

Mr. Lonnie Kishiyama
Director, Office of International Activities
U.S. Maritime Administration

Mr. Stephen Miller
Senior Advisor, Maritime and Land Transport
Office of Transportation Policy, U.S. Department of State

Mr. Tyler Wood
General Counsel, Office of Legal Affairs
Federal Maritime Commission

Mr. Tony Padilla
Senior Advisor, Office of International Activities
U.S. Maritime Administration

Ms. Jennifer Antonielli
International Transportation Specialist
and Co-Chair of Hazardous Materials Working group
Pipeline Hazardous Material Safety Administration

Mr. Christopher Cannon
Director of Environmental Management
Port of Los Angeles

Mr. Lit CHAN
Principal, ENVIRON Corp.

Mr. Herbert WANG
Interpreter, DHG Consulting

Observers:

Mr. Jonathan Crawford
Consul, Pol-Econ Section
U.S. Consulate General Shanghai

Ms. Gu Yun
Rule of Law Coordinator, U.S. Consulate General Shanghai

Mr. Val Huston
Principal Commercial Office
Foreign Commercial Service

Ms. Yingjie LIANG
Commercial Assistant
Foreign Commercial Service

Ms. Xiaolei WAN
Senior Commercial Specialist
Foreign Commercial Service

Annex 2

8th Annual U.S.-China Bilateral Maritime Consultative Meeting

9:00 a.m. – 5:00 p.m.
Wednesday, Nov 4, 2015
(Shangri-La Hotel , Jian Shan Hall)

Consultative Meeting Agenda: "( )" denotes first speaker.

9:00-9:10

Welcome and opening remarks from Deputy Director-General WANG Mingzhi

Opening remarks from Deputy Administrator Michael Rodriguez

9:10-10:30

1. **Exchange of Information on Shipping Developments and Policies**

   - National Strategy on Shipping and Policies of the Shanghai Foreign Trade Zone involving foreign participation in China's maritime sector *(China)*

   - Development of the National Maritime Strategy and related topics *(U.S.-MARAD)*

2. **Oversight of International Maritime Markets**

   - Exchange of views about liner alliances, such as Ocean Three, 2M, G6, and CKYHE. *(China / U.S.-FMC)*

   - The COSCO – CSCL Merger *(U.S.-FMC)*

   - FMC Update on Port Alliances (Seattle – Tacoma, Los Angeles – Long Beach).

3. **Management of Dangerous Goods Waterway Transportation** *(China/U.S.-MARAD)*

   Note: China would like to learn about U.S. rules and regulations governing the transportation of waterborne dangerous goods in the United States. U.S. will defer to 2016 bilateral meeting, during which USCG will address at that time.

4. **Mariner Recruitment and Retention** *(U.S.-MARAD)*

5. **Establishment of a Mutual NVOCC Legal Assistance and Mutual Bond Rider Recognized Mechanism** *(U.S.-FMC)*

10:30 – 10:40 **Coffee Break**

10:40 – 12:30

6. **U.S. Tonnage Tax System** ***(China / U.S.-MARAD)***

   Note: China would like to know why the U.S chose to use a system based on tonnage instead an income tax-based system, and any lessons learned of this approach so far.

7. **Policy of Maritime Environmental Protection and Green Technologies in the Maritime Sector** *(China/U.S.-MARAD)*

   - Rules and Progress of the North American Emissions Control Area. *(U.S.-MARAD)*

   - Newly Launched Action Plan to Reduce the Pollution from Ports and Vessels (2015-2020) and Related Topics *(China / U.S.-MARAD/State)*

   - LNG as a Marine Fuel & "Cold Ironing" *(China/U.S.-MARAD)*

8. **Rotterdam Rules – Status of U.S. Ratification** (China / U.S.-State)

9. **Questions from Chinese Companies**

   China Classification Society:
   - Black carbon emissions and ballast water discharge rules under the IMO Convention *(U.S.-State (ballast water only) / MARAD)*

   China Ocean Shipping Group (COSCO):
   - Decrease U.S.-imposed taxes and fees, *(U.S.-MARAD)*
   - Strengthen container supply chain security, *(U.S.-State / MARAD)*
   - Dredge and improve bridge clearances for adapting to the Panama Canal expansion project. *(U.S.-MARAD)*

   China Shipping Container Lines:
   - Chinese seafarer visa issue in the United States. *(U.S.-State)*

   Sinotrans:
   - Please provide an update on development trends pertaining to river

transportation along the Mississippi River. *(U.S.-MARAD)*

12:30 - 14:00 **Working Lunch**

14:00 – 17:30

10. Drafting of the Joint Agreed Minutes