

AGREED MINUTES OF THE 9TH UNITED STATES-CHINA

MARITIME CONSULTATIVE MEETING

Delegations from the United States Department of Transportation, Federal Maritime Commission and other agencies and the People's Republic of China Ministry of Transport met in Los Angeles, California United States on June 1, 2016, and discussed matters of mutual interest in shipping policy. The United States delegation was led by Michael Rodriguez, Deputy Maritime Administrator, and Mario Cordero, Chairman of the Federal Maritime Commission. The Chinese delegation was led by Li Tianbi, Director-General, Water Transport Bureau, Ministry of Transport of China, and LI Qingping, Counsel, Maritime Safety Administration, Ministry of Transport. Full delegation lists are attached at Annex One. The agreed agenda for the meeting is attached at Annex Two. The discussions were friendly and productive and both sides agreed that this meeting has helped to strengthen the spirit of cooperation between the two countries.

MAK The United States reported that the Maritime Administration has drafted a National Maritime Strategy, which sets a framework of actions to strengthen the U.S. shipping industry. After consulting a number of stakeholders from all parts of the industry, the Maritime Administration identified five critical goals: 1) expand the capacity of U.S. gateway ports; 2) increase the viability of U.S. merchant shipping in international trades, 3) cultivate the next generation of mariners; 4) integrate waterborne transport into the national transportation network; and 5) drive maritime technology innovation.

China emphasized that pollution control is a priority for its shipping policy and described the *Action Plan to Reduce the Pollution from Ports and Vessels (2015-2020)* which sets out 11 major tasks and goals to reduce pollution from ports and vessels by 2020. In 2015, the Ministry of Transport and the relevant ministries issued a catalogue of highly toxic chemicals prohibited from transport on inland waterways. The catalogue will undergo regular review and updating.

China also issued a new rule establishing emission control areas for the Pearl River Delta, the Bohai Rim, and the Yangtze River Delta. From 2017, ships must use fuel with no more than 0.5% sulfur content when berthing at 11 key ports. The key ports in the Yangtze River Delta have implemented the new requirements from April 2016. Before enacting the rule, China engaged in detailed research to ensure availability of low sulfur fuel.

The United States described the North America and Caribbean Emission Control Areas (ECAs) requiring 0.1% ultra-low sulfur fuel. The U.S. Coast Guard described California's experience in requiring low sulfur fuel before the ECAs became effective and reviewed the causes of incidents where ships using low sulfur fuel lost power. Like China, the United States has adequate supplies of fuel meeting the sulfur limits.

The United States explained that the use of on-shore power in California was necessitated by strict state air pollution limits. Port officials from Los Angeles and Long Beach described economic incentives to encourage on-shore power and infrastructure investment. The port officials observed that electrical power generation must also use clean fuels to benefit from this approach. The U.S. side reviewed

alternative technologies to reduce emissions, including scrubbers, electrically powered port vehicles, and fuel cells.

China described its review of terminal handling charges. China has been researching the issue in response to shipper concerns, but has no specific plans to change its regulatory regime at this time. On ocean shipping alliances, China discussed how it reviews agreements between competitors, and whether such agreements have the potential to impair fair competition. If an alliance agreement has greater than 30% market share of the aggregate shipping volume for one consecutive year on one particular shipping line to and from Chinese ports and which can be detrimental to fair competition, China may open an investigation. China described penalties that it imposes on agreements that impair fair competition. Chairman Cordero discussed how the United States faces many of the same challenges in reviewing ocean shipping alliances, and that the efficient movement of goods at minimal costs to regulated parties shall be respected. Both sides agreed to maintain further communications in this regard.

 The FMC is taking action to review existing regulations pertaining to service contracts, and Chairman Cordero described the regulatory process. China applauded the actions. China described the restructuring of two state-owned shipping companies (COSCO and China Shipping Co.) in response to the overall shipping market. The FMC had an interest in evaluating future alliance relationships after the merger. Chairman Cordero described the trend of U.S. ports cooperating on matters of regional interest, expanding from environmental matters to include broader operational measures. Both sides discussed investment and infrastructure, and different port management modes. Chairman Cordero described the work that the FMC has done on port congestion, and measures that the FMC and regulated parties can undertake to reduce the impact of landside congestion. The United States had investigated the factors that contributed to congestion on the U.S. West Coast in 2014, and noted that the contract negotiation issues were only one of several factors that contributed to the slowdown in cargo movement.

China requested the United States to recognize the judicial decisions issued by Chinese courts for liable U.S. NVOCCs who are waivors of Chinese cash deposit for doing NVOCC business in China, and expressed the desire to explore a mechanism for judicial assistance in enforcing judgments of Chinese courts. The Commission agreed to explore, within its authority, any mechanisms for judicial assistance. Noting concerns from stakeholders, China also asked the FMC to agree to the principle of mutual recognition of bonds for NVOCCs. The FMC discussed the process that U.S. financial institutions must follow to be approved by the U.S. Treasury Department. Chairman Cordero agreed to the principle of mutual equality of bonds for NVOCCs and agreed to maintain further discussion. Chairman Cordero agreed to advise the full Commission of China's concerns, and welcomes proposals from China.

Chinese companies requested that the FMC withdraw Chinese companies from its list of controlled carriers. The FMC described the statute's mandate, and its process of granting exemptions. China noted that the companies are publicly traded, and the FMC asked China to study whether the companies can satisfy the statute's mandate to be withdrawn from the list.

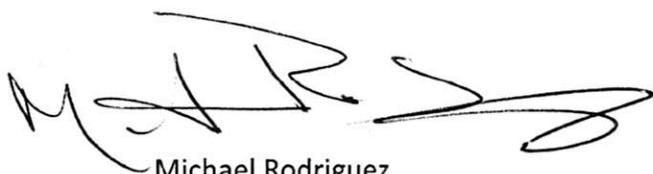
Both sides discussed the common challenge of recruiting and retaining trained mariners. The United States described its training programs at the U.S. Merchant Marine Academy and six state maritime schools; programs for elementary and secondary students; and the creation of a pathway for veterans to become mariners. China observed that seagoing careers have been losing appeal. Both sides exchanged information about income tax incentives and other financial incentives.

Explaining its procedures for overseeing dangerous goods in containers, China agreed to have further communications. China is ready to verify gross container mass in accordance with SOLAS rules entering into effect July 1st. The United States reported that longstanding rules already require the shipper to weigh its containers and provide the information to the carrier.

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Chinese shipowner representatives raised concerns about the cost impact of U.S. requirements for ballast water treatment and urged the United States to follow IMO standards. The U.S. Coast Guard replied that the United States is applying the IMO ballast water discharge standards but is requiring certification of ballast water treatment systems by independent laboratories. The Coast Guard noted the dispute over the definition of a viable organism and that the United States is using the IMO standard of requiring ballast water management systems to kill organisms. Both sides discussed the equipment needed to test ballast water systems. The U.S. Coast Guard is granting extensions for the deadline to comply with U.S. ballast water requirements.

Agreeing to exchange information about shipping policy developments in each country, both sides confirmed their intention to strengthen cooperation through the process of regular consultations. The two sides have agreed to have the 10th annual bilateral maritime consultative meeting in 2017.

Done on June 3rd, 2016 in Los Angeles, California, United States of America.



Michael Rodriguez

For the Department of Transportation
United States of America



LI Tianbi

For the Ministry of Transport
People's Republic of China

U.S.-China Ports and Inland Waterways Work Plan for 2017

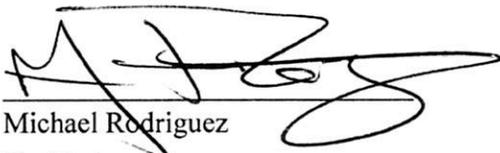
Based on topics discussed under the Ports and Inland Waterways Working Group (PIW-WG) meeting held in 2016 in Los Angeles, California, the following topics will be examined under a joint work plan in 2017:

- Inland shipping capacity adjusting, and technology and best practices in the field of barge transportation;
- The application of LNG and other alternative fuels as a main fuel in inland waterway transportation; and
- Port charges collected during export-import operations, and the U.S. experience in planning, constructing, and implementing sea-rail intermodal transportation.

The above work plan will be implemented through intercessional dialogue, and joint exchanges held in China and the United States.

The PIW-WG also plans to promote greater collaboration between both countries' port communities, and to provide a means for active involvement from the private sector, especially through technical exchanges, trade missions, expositions, and industry-led seminars to the fullest extent possible.

Done on June 3rd, 2016, in Los Angeles, California, United States of America.



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