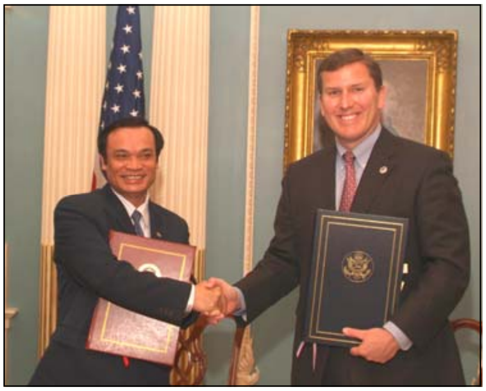
Maritime Administration POLICY PAPER

America's Advocate for the Maritime Industry



INTERNATIONAL ACTIVITIES

Although the international market for maritime transportation services is relatively open, there are instances where foreign governments have imposed anti-competitive barriers that restrict market access for U.S maritime interests. Many of these restrictions can be addressed through direct negotiation, relying on the threat of statuates administered by the Federal Maritime Commission authorizing the imposition of retaliatory measures. Only in rare instances have measures been imposed. In select instances it may be necessary to negotiate bilateral agreements to open markets, particularly with non-market economies.

The benefits of taking action against restrictions on U.S. maritime companies' access to foreign transportation markets are clear. Such restrictions add to costs, impede efficient operations and generally have a negative impact the profitability of the U.S. maritime industry. Enhancing the competitiveness of U.S. transport providers and manufacturers in the global marketplace is a key outcome of the Department of Transportation's Global Connectivity strategic goal.

In addition to the few bilateral maritime agreements negotiated by the United States, we monitor bilateral maritime and trade agreements of other countries to ensure that they do not impair U.S. carriers' market access. The few U.S. maritime agreements that are in effect are with Brazil, China, Russia and Vietnam. The United States and Japan carried out an exchange of letters on port services in November 1997 that had the effect of an agreement.

Vietnam: On March 15, 2007, the United States and Vietnam concluded an agreement that created the opportunity for US carriers to open wholly-owned subsidiaries in Vietnam. Vietnamese shipping entities are government owned and have had a monopoly position in operating in Vietnam's growing maritime trades. The agreement was signed by Sean Connaughton for the United States.

Brazil: The U.S.-Brazil Maritime Agreement was signed by the Secretary of Transportation and the Brazilian Ambassador in Washington on Sept. 30, 2005, and has a five-year term with automatic extension thereafter. The agreement ensures equal access for each country's national-flag carriers to the other country's government-controlled cargo. Brazil has historically designated a large share of its foreign trade in commercial goods as government cargoes.

China: The latest U.S.-China Maritime Agreement was signed on Dec. 8, 2003, by the Secretary of Transportation and China's Minister of Communications. The agreement has a five-year term and may be extended automatically for successive one-year periods. The agreement addresses United States carriers' rights to conduct a wide range of normal shipping operations and their ability to open branch offices throughout China while assuring China of open access to United States markets.

Russia: On June 20, 2001, the United States and Russia signed a new bilateral maritime agreement. The agreement represents the evolution to a free-market model of maritime relations between the two countries, relatively free of government intervention. The first bilateral maritime agreements with the former Soviet Union were negotiated in the 1970s. Under the new arrangement consultations are regularly scheduled to maintain an open dialogue on a range of issues affecting maritime transport.

The Maritime Administration also participates as a member of interagency teams conducting multilateral activities including the International Maritime Organization, International Labor Organization, World Trade Organization, the Asia-Pacific Economic Cooperation (APEC) Transportation Working Group and Organization of American States.

In conjunction with the United States Trade Representative and other government agencies, the Maritime Administration also frequently participates on the U.S. teams negotiating bilateral and regional free trade agreements with other countries.