

AGREED MINUTES OF THE 2ND CHINA-U.S. MARITIME CONSULTATIVE MEETING

1. Delegations from the People's Republic of China, led by the Ministry of Communications, and the United States, led by the Maritime Administration met in Shanghai on November 28th and 29th, 2007, to discuss the implementation of the bilateral maritime agreement and other related matters in the maritime service sector. The consultative meeting was held in a friendly atmosphere and was pragmatic, frank and fruitful. The Chinese delegation was led by Vice Minister Xu Zuyuan, and the United States' delegation was led by Maritime Administrator Sean T. Connaughton. Full delegation lists are attached.

2. Vice Minister Xu and Maritime Administrator Connaughton placed a high value on the role played by the bilateral maritime agreement in strengthening bilateral maritime cooperation and promoting bilateral trade. Both sides expressed satisfaction on the implementation of the bilateral maritime agreement. They expressed the view that China and the U.S. are not only two important trade partners, but also big shipping countries. Since both countries are Category A members of the IMO Council, both sides have the responsibility to strengthen cooperation in maintaining safety, increasing efficiency of maritime services and protecting the environment. Both sides agreed to maintain the annual consultation mechanism with a positive and cooperative attitude, to further promote bilateral maritime relations.

3. Both sides introduced current developments in their shipping policies and other information on maritime-related fields. The Chinese side explained the measures they are adopting for energy saving and environmental protection, and gave an introduction to their port development plan, inland shipping development, endeavors for promoting the development of private shipping enterprises, and measures to strengthen port and shipping safety and security. The U.S. side explained their goals for infrastructure investment and congestion mitigation. The U.S. side also expressed their interests in new Arctic shipping routes, the expansion of the Panama Canal, the shortage of seafarers and protection of the environment. The U.S. side explained new legislation for container security. Both sides expressed the view that there are many issues and concerns in the maritime field which merit further communication between the two sides.

4. The U.S. side expressed their strong interests in obtaining WFOE status for Matson Navigation, a new entrant in the trade between China and the U.S. In view of the cooperative spirit of U.S./China maritime relations and obligations of the bilateral maritime agreement, the U.S. side requested the Chinese side to approve the application before December 31, 2007. The Chinese side replied that they recognized



the importance of this matter to the bilateral relationship and stated that they would take positive steps to process the application.

5. The Chinese side held the view that the visa system in the U.S. creates many difficulties and inconveniences for Chinese seafarers to enter U.S. ports and asked the U.S. side to take into consideration the special nature of the shipping business and seafarers and to extend the validity of the seafarers' visas to five years on a reciprocal basis. The U.S. side explained U.S. visa policy and agreed to contact the competent U.S. authority about measures to address these concerns as part of a resolution of broader visa issues between the two countries. The Chinese side holds the view that this issue should not be linked with broader visa issues and should be resolved on a reciprocal basis.

6. In accordance with Article 1 paragraph 2 and Article 6 paragraph 2 of the bilateral maritime agreement, the U.S. side asked the Chinese side to charge the same tonnage dues on U.S. owned foreign registered vessels as on vessels registered in the U.S. The Chinese side explained that they had fully implemented the provisions of paragraph 2 of Article 6 of the bilateral maritime agreement. The Chinese side gave further explanation on their tonnage dues policy which allowed favorable treatment relating to levying of tonnage dues on a vessel at Chinese ports if the vessel flies the flag of a country whose government had entered into a bilateral maritime agreement or other related agreement on favorable taxation. The Chinese side further explained that vessels flying the flag of third countries and owned or operated by U.S. shipping companies enjoy the same treatment relating to levying of tonnage dues as those of Chinese shipping companies flying the flag of third countries. The U.S. side requested further information from the Chinese side on this matter. The Chinese side agreed to provide the relevant information.

7. The Chinese side pointed out that in accordance with U.S. regulations, when a vessel carries cargo loaded in U.S. ports and bound for China, complete manifest information and shipper's declaration must be submitted to U.S. Customs and Border Protection before the vessel's departure. The Chinese side noted that China is on a list of countries subject to this differentiated treatment and asked the U.S. side to eliminate the differentiated treatment. The Chinese side asked the U.S. side to eliminate this differentiated treatment problem in order to provide more convenient, fair maritime transport for the bilateral trade. The U.S. side expressed their willingness to provide further information on the legislative background and implementation status of this measure and would give the Chinese side further explanation on this regulation.

8. Both sides exchanged viewpoints on the transportation of bulk grains in containers in the China-U.S. trade and expressed their willingness to communicate with their respective competent authorities to explore ways to increase container transport efficiency and alleviate container imbalance. Both sides exchanged views on



alleviating congestion in U.S. inland transport networks.

9. The Chinese side raised the issue of inconsistency of environmental protection standards in different states of the U.S., which was inconvenient and increased operating costs for carriers. The U.S. side explained that U.S. law gives states considerable authority to set their own environmental standards. In order to avoid unilateral action and to implement uniform international standards, both sides recognize the importance of close cooperation in the IMO framework.

10. The U.S. side raised the issue of problems U.S. NVOCCs are experiencing in China. The U.S. side proposed that the bond required by the FMC should extend to China cross trades as well as the bilateral trade. The Chinese side held the view that this issue involves an adjustment of the arrangement between the two sides reached in 2003. The Chinese side indicated that they had fully implemented the Memorandum of Consultations signed on December 8th, 2003 by providing facilitation to qualified U.S. NVOCCs to conduct their business in China. The Chinese side also pointed out that due to the change of the exchange rate between the Chinese Yuan to U.S. dollar, the amount of financial responsibility in U.S. dollars (which used to be equivalent to 800 thousand RMB) should also be adjusted accordingly. The U.S. side stated that they would provide a written proposal to address these issues. Both sides agreed to further exchange ideas on the above mentioned issues.

11. Both sides exchanged views on the competition policy for ocean carriers. Both sides emphasized the importance of consistency in international competition policy in order to avoid any negative effects on the shipping industry due to conflicts of law. Both sides noted that at present there are no plans to change the competition laws in either country which grant anti-trust immunity for ocean carriers.

12. Both sides listened to the views of shipping company representatives of both countries, and both sides expressed their willingness to keep open communication with the industry.

13. Both sides agreed to hold the 3rd bilateral Maritime Consultative Meeting in the U.S. in 2008.

DONE on November 29th, 2007 in Shanghai, in the Chinese and English languages.



Xu Zuyuan
For the Ministry of Communications
People's Republic of China



Sean T. Connaughton
For the Department of Transportation
United States of America

LIST OF U.S. MARITIME DELEGATION

HEAD OF DELEGATION

Mr. Sean T. Connaughton	Maritime Administrator Maritime Administration Department of Transportation
Mr. Bruce J. Carlton	Assistance Maritime Administrator Maritime Administration Department of Transportation
Mr. Greg Hall	Director Office of International Activities Maritime Administration Department of Transportation
Mr. Brian T. Varney	International Economist Maritime Administration Department of Transportation
Mr. Christopher Moore	Special Assistant to the Administrator Maritime Administration Department of Transportation
Mr. Stephen Miller	Senior Advisor Office of Transportation Policy Bureau of Economic and Business Affairs Department of State
Mr. Mike Layne	Political/Economic Officer U.S. Consulate General in Shanghai Department of State
Mr. Kamal I. Latham	Economic Officer Embassy of the United States of America in Beijing Department of State
Mr. Tony Zhu	Economic Assistant U.S. Consulate General in Shanghai Department of State

OBSERVERS

Mr. Kevin O'Rourke	Senior Vice President and General Counsel Matson Navigation Company
Mr. David L. Hoppes	Senior Vice President-Ocean Services Matson Navigation Company
Mr. Qiang Gao	Managing Director Asia, China Chief Representative Matson Navigation Company
Mr. William Chan	Vice President & Managing Director North China American President Lines
Mr. Dan Ryan	President, Greater China American President Lines
Mr. Charles Wellins	Vice President, Sales Greater China Area Maersk Lines
Mr. Gareth Luk	Deputy General Manager Route Management – Import Maersk Lines