AGREED MINUTES OF
THE 5TH REPUBLIC OF KOREA-UNITED STATES
MARITIME BILATERAL MEETING
July 10, 2019
Busan, Republic of Korea

The Ministry of Oceans and Fisheries of the Republic of Korea (ROK) and the Maritime Administration of the United States of America (U.S.) held the 2019 bilateral maritime meeting at the Westin Chosun Hotel, Busan City, Korea on July 10, 2019. The Korean delegation was led by Director-General of Shipping and Logistics Bureau Eom Ki-doo and the U.S. delegation was led by Administrator of Maritime Administration Mark H. Buzby.

The Korean delegation included representatives from the Ministry of Oceans and Fisheries (MOF), Korean Embassy at the U.S., Korea Institute of Maritime and Fisheries Technology (KIMFT), Korea Shipowners’ Association (KSA), and the industry. The U.S. delegation included representatives from the Maritime Administration (MARAD), Federal Maritime Commission (FMC), U.S. Department of State (DOS), U.S. Coast Guard, and maritime industry representatives.

Both sides held discussions on various topics of mutual interest and of potential cooperation, including bilateral shipping/ports policy, shipping industry landscape, mariner training, and IMO 2020. In particular, a Memorandum of Cooperation was signed at this meeting after years of discussion, providing a basis for future annual meetings and exchanges among government/private-sector experts and thereby expanding opportunities for future cooperation.

The first agenda item was shipping/ports policy of both countries. ROK led the agenda by briefly introducing its policies on improving shipping/ports environment and expanding ports infrastructure. In line with strengthened IMO SOx emissions regulations, Korea will amend its national legislation and apply stricter regulations conforming to the IMO .5 % sulphur emissions cap on ocean-going vessels beginning on January 1, 2020, and on coastal vessels from 2021. Also, by enacting Special Act on Port Air Quality Improvement, Emissions Control Area (ECA) and Slow-Steaming Areas will be designated around major ports from 2020, where stronger regulations on fuel oil and sailing speed will be applied. Also, through the Act on Green-Ships, aged ships will be transitioned into eco-friendly ships and LNG-propelled ships will be introduced gradually starting with the public sector’s vessels.

As for ports infrastructure policy, ROK introduced the plan to build the 2nd Busan New Port, which will have 21 berths in total. According to the plan, 9 berths will be built by 2030, and the remaining 12 berths will be built by 2040.

In turn, U.S. MARAD explained its National Maritime Transportation Strategy, which was also introduced in 2018 Bilateral Meeting, and is still pending final approval. The U.S. reiterated the vision of National Maritime Transportation Strategy as “An innovative,
competitive U.S. maritime system that enhances U.S.'s multimodal mobility and ensures U.S. national and economic security in an increasingly globalized world.” The U.S. explained its 5 strategic goals, which are similar to those of Korea's shipping policies: Strengthening maritime capabilities that are essential to U.S. economic and national security; maintaining and modernizing the maritime workforce for the 21st century (in particular, the importance of cyber education); improving safety, reducing congestion and increasing mobility through improving waterborne transportation; expanding U.S. gateway ports to accommodate mega vessels as in the case of Busan; and driving innovation in maritime industry in automation, safety, environmental issues and others.

Next agenda item was the shipping industry landscape in both U.S. and ROK. U.S. FMC led the agenda by illustrating the recent outlook for the oceangoing shipping industry and the FMC’s procedures for reviewing agreements between oceangoing carriers and terminal operators. The U.S. described that the shipping industry has been going through many changes in the past 3-4 years, with the top 10 shipping carriers taking up 82% of the market in 2019 as compared to 68% in 2016. Global shipping alliances, too, have been narrowed down to 3. Currently, the 3 shipping alliances are having huge influence in the trans-pacific region, carrying most of the container cargo (2M 27%, OCEAN 43%, THE Alliance 25%). This could lead to concerns about price, service and leverage in negotiations with service providers. But at this point, FMC has not seen evidence that the recent changes within and among alliances are impeding free and fair competition.

FMC also explained their review procedures and criteria on filed agreements between carriers and terminal operators, based on the amended U.S. Shipping Act of 1984. In accordance with the Shipping Act, agreements between carriers and terminals have to be filed with the FMC. FMC experts then closely review whether there are unreasonable anti-competitive elements and whether it is likely, by reduction in competition, to result in an unreasonable reduction in transportation service or an unreasonable increase in transportation cost. The review normally takes 45 days, after which the FMC determines whether to challenge the agreement in court or allow it to go into effect. After the agreement takes effect, FMC continues to monitor the agreement and analyzes its ongoing competitive effects.

To this, ROK added that alliances do not aim to drive up prices or deteriorate service quality. Rather, alliances have been improving efficiencies by reducing costs. ROK also mentioned that Hyundai Merchant Marine (HMM) recently announced that it will join THE Alliance, and asked the FMC for its cooperation so that the FMC review procedures could go smoothly. FMC responded that they are aware of HMM joining THE Alliance, and mentioned that once the agreement is filed, it will be reviewed according to FMC procedures.

Next agenda item was areas of mutual interest, led by ROK. ROK pointed out that Korean carriers are having difficulties calling at U.S. ports, such as rising terminal handling charges as opposed to limited increase in shipping rates, and asked for U.S.’s support in addressing the situation. HMM mentioned that Terminal Handling Charges at U.S. East Coast and U.S. West Coast are increasing every year above CPI, and explained the need for reasonable
adjustment in Terminal Handling Charges. In response to HMM's concern, FMC added that while the FMC does not set rates or charges, it has, however, undertaken several initiatives to facilitate cooperation between terminals, carriers, and other stakeholders in order to address supply chain issues and improve efficiency at U.S. ports.

U.S. introduced the background and current status of the Maritime Security Program (MSP). The U.S. requested ROK to continue to utilize its 16 US-flagged MSP car carriers in exporting Korean cars. To this, ROK said that Hyundai/Kia cars are already being carried on U.S. car carriers, based on the cooperative relationship between U.S. and ROK companies, and added that it hopes to expand cooperation for future win-win benefits.

The next agenda item was mariner education/training. MARAD mentioned that the U.S. is experiencing shortages in some sectors of the maritime industry and there is still a need for skilled mariners. U.S. added that lack of incentive could be one of the problems, and explained that it is thus trying to improve career opportunities and expanding education/training equipment such as cyber-education facilities. ROK said it is also having a similar problem, and that it is looking for ways to improve the situation. As for APEC Seafarers Network (SEN), ROK expressed gratitude for MARAD's decisive role in having APEC SEN approved. ROK also asked for U.S.’s continued support for APEC SEN, which will be leading cooperative projects for education/training/career development of mariners based on APEC economies' cooperation.

Last agenda item was compliance strategies for IMO 2020, led by ROK. ROK explained that it agrees with the general direction of IMO 2020, and that it has recently amended relevant laws and regulations, including to create an ECA in ROK waters, to comply with IMO 2020. Also, ROK described three options that shipping carriers can take to conform to the IMO 2020 standard, based on management decisions: low-sulfur fuel oil (LSFO); scrubbers; or alternative fuel sources, such as LNG. At this point, newly built ships are considering the choice of scrubber or LNG, while the majority of others (over 70%) are considering low-sulfur fuel as their first choice of option. Already, one ROK government-owned ship and one private-owned ship are LNG-powered, and a third such vessel will be operational within the next few months. The ROK goal is for all publicly owned ships to be LNG-powered. In this regard, the ROK government has been engaging in discussions with refineries, so that supply of LSFO can meet the demand. DOS expressed that the United States supports a smooth transition to and consistent implementation of the IMO 2020 standard, including through transparency, and addressing concerns regarding fuel availability, compliance, safety and economic impacts. Petroleum, shipping and other industry stakeholders in the United States have invested substantially in and planned for implementing the IMO 2020 standard. The North American region, including the United States, already has a designated ECA, which applies a 0.1% sulfur content standard to vessels operating within that ECA.

The Korean side asked the FMC’s opinion on carriers’ blank sailing. To this, the U.S. said blank sailings seem to be a temporary phenomenon at this point based on anticipated lower cargo volumes, and that the FMC will continue to monitor the situation. Next, the Korean
side requested that the U.S. closely review its policy regarding joint contracting by alliances in the field of shipping, terminal, and railroad services, which is currently viewed less favorably in the U.S. than other cooperative activities.

Finally, the meeting ended with both sides agreeing to hold the next meeting in the U.S. in 2020, with specific timing and location to be decided among working-level officials.

Done in Busan, Republic of Korea, July 10, 2019.

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