

**AGREED MINUTES OF**  
**THE UNITED STATES - JAPAN**  
**MARITIME BILATERAL MEETING**

**August 15, 2019**  
**Washington, DC**

Delegations from the United States Maritime Administration (MARAD) and Japan's Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) met in Washington, D.C. on August 15, 2019, to discuss matters of mutual interest in the maritime transportation sector. The Maritime Administrator Mark H. Buzby led the U.S. delegation, which included representatives from the Federal Maritime Commission, Department of State, and the U.S. Coast Guard. The Japanese delegation was led by Dr. Shinichiro Otsubo, Director-General, Maritime Bureau, MLIT. The discussions were very productive and friendly, with each side confirming the value of working together to promote their mutual interests in the development of international maritime transportation.

Administrator Buzby gave an overview of the National Maritime Transportation Strategy, the U.S. Flag fleet, merchant mariners, and the manning of the Ready Reserve Fleet (RRF). Administrator Buzby also emphasized that U.S. domestic shipping is closely linked to national and economic security readiness for the U.S.

Director-General Dr. Otsubo explained Japan's maritime policy. Japan's maritime policy is to provide safe, environmentally sound, efficient, and reliable shipping. The i-Shipping and j-Ocean policies focus on digitalization of vessel design, construction and operation, switch to environmentally friendly fuel and energy such as LNG and Hydrogen, and penetration of the offshore development market. Japan looks to improve human resource development to attract new seafarers and to raise interest and awareness in the maritime industry.

Japan stated that ensuring free and fair development is key to competitive maritime industry and raised concern over protectionist programs taken by other countries. The U.S. responded that, when appropriate, the Federal Maritime Commission (FMC) has tools that could be used to address unfair or restrictive foreign maritime practices.

Japan would like the Panama Canal Authority to increase the number of LNG vessel transits in acknowledgement of anticipated increases in export of LNG. Japan raised concerns over the timing of the toll increases and the implementation of Sulphur cap regulations. The U.S. responded that they will be monitoring any potential impacts these charges have on prices in the U.S.

The U.S. gave an update on the competitive outlook of the industry, touching on recent merger activity and alliance reshuffling. The U.S. also discussed the competitive impact of overcapacity and the IMO 2020 Sulphur limit, which will place significant compliance costs on the industry. Lastly, the U.S. discussed the increasing digitalization of the industry and its effect on carrier collaborations. Both the U.S. and Japan agreed that the marketplace for containerized ocean transportation services remains highly competitive. Regarding IMO 2020 Sulphur limit, Japan shared concerns that the industry would have to bear the cost to comply with the IMO regulations,

but noted the view that those cost could be broadly borne by the society through surcharges to shippers. Japan expressed concern that less expensive non-compliant high sulphur fuel be used and affect level playing field of global shipping market, and emphasized the need of strengthening control measures, including sampling of fuel.

The Delegations also discussed potential concerns about the quality of low sulphur compliant bunker fuel and concerns from carriers. Japan explained that there are a limited number of oil producing companies in Japan and, since MLIT have consulted with these companies and reached general agreement on the specification of low sulphur heavy fuel oil and carried out compatibility testing and trial on board they are not so concerned about the quality of the domestically produced fuel, while they are concerned about the competitive conditions of domestic fuel market and the price. Both sides noted that they have heard concerns about the ability to find reliable oil across global ports.

Regarding digitalization, Japan considered it would present an opportunity to increase competitiveness. Japan monitors these advancements and encourages continued competition by monitoring trends in domestic and international industry and provides feedback and support.

The U.S. discussed technology related to Maritime Autonomous Surface Ships (MASS) and the programs and initiatives developed thus far. The U.S. is interested in hearing about the practices in Japan and their regulatory regime for managing MASS trials and developing guidelines for small vessel. Japan briefly explained the guidelines, and noting that further information would be shared afterwards. Japan also gave an overview of their policy to respond to technological development of MASS, especially to ensure safety of trials for MASS and their future operations. Both sides discussed their concerns with MASS, including safety and cybersecurity threats. Japan and the U.S. agreed that the goal of new technology should not be to remove seafarers, but rather to enhance the safety and efficiency of operations.

Japan stated the importance of safe passage through the Straits of Malacca and Singapore and expressed their intention to continue a leadership role in maintaining safe navigation in the Straits, asking for support and cooperation from the U.S. The U.S. has appreciated the opportunity to work with Japan over the years and looks forward to continuing their cooperation. The U.S. explained their efforts to ensure the industry is well informed of piracy and armed robbery threats and that they share best practices for operations in elevated danger areas. Japan and the U.S. agreed that piracy in Somalia will regain strength if the international community stops taking measures against it. Japan raised concerns about the ongoing violence and hijacking in the Gulf of Guinea. The U.S. maintained their commitment to capacity building in the Gulf of Guinea, highlighting their work with local Navies to improve equipment use and to achieve better governance in their waters.

Japan mentioned their proposed mandatory cap on energy efficiency design index (EEDI) for existing ships and asked for U.S. views on the proposal. The U.S. responded they are open to the measures, particularly those supported by industry and which use existing IMO instruments. Both sides shared concern on operational speed limit and agreed to continue discussions in detail on Japan's proposal on existing ships.

Japan explained its long-term perspective toward zero GHG emissions, utilizing renewable energy and carbon capture technologies as an example. The U.S. and Japan shared the view on the importance of technological innovations, cleaner and affordable energies such as LNG and the approach to enhance energy efficiency of shipping.

Japan, raising concerns about the U.S. Federal or its local State's regulations that are different from the international standards developed by the IMO and the burden on shipping companies who will have to comply with different regulations, welcomed the new approach under the Vessel Incident Discharge Act (VIDA) and asked about the approval process for ballast water systems. The U.S. Coast Guard (USCG) explained that national regulations for ballast water are moving towards alignment with IMO regulations and that the USCG has approved systems that are built to IMO standards, and that waivers for those systems built by manufacturers currently seeking type approval would continue to be considered.

Japan expressed its concern about some local requirements prohibiting discharge of wash water from exhaust gas cleaning system (scrubber) and asked about future restrictions in the U.S. The USCG explained that there is currently no prohibition under VIDA, but if any restriction were considered by EPA, it will ask public for comments around next summer. It also explained possible development of specific restricted area under the federal regulation, if a petition would be sought by a State.

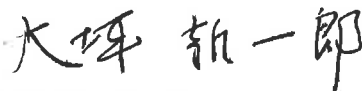
The U.S. expressed the need to expand the U.S. flag fleet to fulfill the needs of the merchant marine to transport military assets in case of emergency, and would like to engage with Japanese businesses to increase the number of U.S. flagged roll-on/roll-off (RORO) vessels. Japan stated they understood that the U.S. is focused on growing and maintaining this trade, but market implications should be considered before doing so.

Administrator Buzby thanked the Japan delegation for their attendance and discussion. Japan thanked the U.S. delegation for a productive meeting and for their hospitality. Both sides agreed on the importance of maintaining a close relationship. Japan proposed to host the next U.S.-Japan bilateral meeting in Tokyo, Japan in 2020.

Done in Washington, DC, August 15, 2019.



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