

AGREED MINUTES OF THE 3RD ANNUAL UNITED STATES-JAPAN MARITIME MEETING

Opening

Delegations from the U.S. Maritime Administration, Federal Maritime Commission, Department of State, Coast Guard, and the Japan Maritime Bureau met in Washington DC, United States, on August 16, 2016, to discuss matters of mutual interest in the area of maritime trade and transport policy. The U.S. delegation was led by Paul Jaenichen, Maritime Administrator, and Daniel Maffei, a Commissioner of the Federal Maritime Commission (FMC). The Japanese delegation was led by Ichiro Hao, Director-General, Maritime Bureau, the Ministry of Land, Infrastructure, Transport and Tourism. Full delegation lists follow as Annex One. The agreed agenda for the meeting follow as Annex Two.

Administrator Jaenichen opened the meeting and welcomed the distinguished Japanese delegation. Director-General Hao thanked the U.S. for arranging a site tour of the Port of Norfolk, and applauded the Port for its long-term planning effort. Director-General Hao underscored changes in the international shipping market, and emphasized that U.S.-Japan bilateral and multilateral cooperation is vitally important. Both sides exchanged views on their respective national maritime policies, implications of the recent opening of the Panama Canal expansion, safety, shipbuilding, environmental management, seafarer recruitment, anti-trust regulation, and closer maritime cooperation between the two nations.

National Maritime Policy Update

The United States provided an update on the status of the draft U.S. National Maritime Transportation Strategy. The U.S. strategy, organized in six focus areas, is designed to facilitate trade, drive job growth, keep businesses competitive, streamline freight flows, and to reduce congestion. Japan mentioned that their maritime strategy focuses on ships, operations, human resources, and cross-cutting issues, such as safety, environment, international shipping markets, and increasing public awareness. There was general acknowledgement that both nations have an active interest in addressing these challenges, and other common issues related to energy, environment, and innovation.

Panama Canal Expansion

With the anticipated increase in U.S.-Asia trade cargo moving through the expanded Panama Canal, both sides recognized that inland and upland infrastructure connectivity, including rail, will be needed to maintain efficiency in the movement of goods to markets. The United States explained the current focus on preparing to accommodate for larger vessels, including activities to strengthen the capacity of inland transportation networks, and leveraging public private partnerships. Japan shares the U.S. views on the impact on energy transportation, especially liquefied natural gas (LNG), and anticipates additional shipments of U.S. shale gas through the canal in the near future. FMC Commissioner Maffei noted that in addition to allowing larger ships to transit the canal, another positive effect of the expansion has been that vessels no longer have to wait as long to go through the locks.

Safety

Japan highlighted its cooperation with U.S. government agencies through a cybersecurity dialogue and proposed an information exchange partnership with the United States. Japan raised points where it

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seeks U.S. support at the International Maritime Organization (IMO). Regarding mooring line safety, Japan expressed serious concerns about injuries and deaths related to mooring line breaks, and underscored that their longshoremen are demanding safety measures be put in place as soon as possible. Similarly, with regard to shipboard cranes, Japanese longshoremen and workers are demanding safety measures. Japan has been working on both issues to develop international requirements at IMO. The United States shared a video depicting an innovative method to minimize mooring line breaks. The delegations agreed to collaborate on these important issues that affect the welfare of maritime personnel.

Shipbuilding

While the three-year order book for shipyards in Japan is relatively stable, both sides expressed concerns related to declining orders and shipyard overcapacity in major shipbuilding countries, which may contribute to instability and distortion in the global shipbuilding market. Additionally, both sides expressed their concerns that government subsidies in some countries may prevent poorly-performing shipyards from exiting the market, delay resolve of overcapacity, and have potential of market distortion in the global shipbuilding market.

Environment

The U.S. Coast Guard (USCG) provided an update regarding type approvals for ballast water treatment systems. In response to Japanese concerns about likely shortages of available systems in the market once the USCG starts approving them, the USCG assured that it will take a practical and reasonable approach to compliance until more USCG approved systems can be manufactured and be made available for installation. Japan expressed appreciation for U.S. continued support for adoption of a framework for data collection system to assess shipping efficiency at the next meeting of the IMO Marine Environment Protection Committee; and for U.S. support for maintaining current standards at the review of Phase II requirements for the Energy Efficiency Design Index. The USCG indicated that it looks forward to further discussions at IMO and that participants should discuss and possible develop a long-term strategy. Both sides recognize the importance to cooperate in urging European Union (EU) to ensure that the EU Monitoring, Reporting and verification (MRV) system is aligned with the IMO data collection system. Japan encouraged support for the Hong Kong Convention, and expressed a desire to partner with the United States on this issue. Both sides voiced concerns about the EU's consideration of financial incentives to recycle ships in facilities that meet EU ship recycling regulation standards.

Possibilities for US-flag car carrier operations

Administrator Jaenichen explained the state of the U.S.-flag fleet trading internationally, highlighting that the number of vessels have fallen by 25 percent in the last four years due, mainly, to a decline in available cargo. As a consequence, he explained that this has had a negative impact on the number of seafarers available to crew those vessels. Furthermore, he highlighted that 60 percent of all U.S. Armed Forces are now based or operating in the Pacific region, making staging and timely response in the region of critical importance, especially for roll-on/roll-off (RO/RO). Therefore, he welcomed any cargo transport opportunities that Japan might be able to provide.

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Anti-trust Regulatory Systems

Commissioner Maffei discussed FMC's process of reviewing vessel sharing agreements, noting that they have become increasingly complex and can have a significant impact on the industry. He explained that three of four alliances are regrouping into two new ones. Commissioner Maffei also explained the Commission's role in improving port capacity and efficiency. Japan appreciated his remarks and proceeded to explain that it reviewed its anti-trust system in fiscal year (FY) 2015. Commissioner Maffei closed by saying that, while the anti-trust review systems in the U.S. and Japan are different, they complement one another in an effort to maintain global competition.

Strengthening the U.S.-Japan Relationship through a Maritime Personnel Exchange Program

Both sides continue to explore a personnel exchange between the U.S. Maritime Administration and the Japan Maritime Bureau. The Maritime Administration is currently working through the U.S. State Department on a program that will allow Maritime Administration to host an employee from the Japan Maritime Bureau. Both sides will continue to work on strengthening the relationship between the two maritime agencies through an exchange of personnel.

Closing Remarks

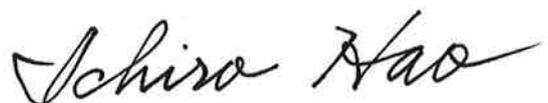
Both sides agreed that this meeting fostered a heightened appreciation for maritime culture and history between the two nations, and served as a platform to share candid views about existing challenges and opportunities in the global maritime industry. Administrator Jaenichen noted that each nation's set of objectives were tightly linked due to mutual concerns about overcapacity, lower shipping rates resulting in less earnings for vessel owners, extreme price competition, the potential for an increase in oil prices, the size and strength of each nation's flag fleets and maritime workforce, and addressing environmental issues. Director-General Hao also noted the importance of fostering a sound and healthy market, improving the efficiency of shipping activities, addressing economic security concerns, and improving transparency in the shipbuilding market. He then extended an invitation to host the next meeting in 2017, which the U.S. accepted.

Done on August 16, 2016, in Washington DC, United States of America.



Paul Jaenichen

For the Department of Transportation
United States of America



Hao Ichiro

For the Ministry of Land,
Infrastructure, Transport and Tourism
Japan

ANNEX ONE

United States-Japan Maritime Bilateral Meeting (3rd)

Participants List

16 August 2016

Delegation of the United States

Mr. Paul Jaenichen
Administrator
United States Maritime Administration

Mr. Daniel Maffei
Commissioner
United States Federal Maritime Commission

Captain James Jenkins
Maritime Safety and Security Advisor to the
Secretary of Transportation
United States Coast Guard

Mr. David Tubman
Chief Counsel
United States Maritime Administration

Mr. Will Shakely
Deputy General Counsel
United States Federal Maritime Commission

Ms. Zoraya de la Cruz
Counsel to Commissioner Daniel Maffei
United States Federal Maritime Commission

Ms. Lauren Engel
Attorney-Advisor
United States Federal Maritime Commission

Captain Scott Kelly
Office of Operating and Environmental
Standards
United States Coast Guard

Captain Ryan Manning
Chief, Office of Port & Facility Compliance
United States Coast Guard

Captain Ben Hawkins
Office of Design and Engineering Standards
United States Coast Guard

Mr. Steve Miller
Team Leader, Maritime and Land Transport
United States Department of State

Mr. Andrew Rakestraw
Office of Global Change
United States Department of State

Mr. Lonnie Kishiyama
Director, Office of International Activities
United States Maritime Administration

Mr. Tony Padilla
Senior Advisor for International Affairs
United States Maritime Administration

Mr. Andrew Baskin
International Trade Specialist
United States Maritime Administration

Ms. Alyson Azzara
International Trade Specialist
United States Maritime Administration

Ms. Mika Vaules
Interpreter

ANNEX ONE

Delegation of Japan

Mr. Ichiro HAO
Director-General
Maritime Bureau, MLIT

Mr. Noriaki USUI
Director, International Planning and Coordination Office, General Affairs Division
Maritime Bureau, MLIT

Mr. Nobuhiro HIRASHIMA
Special Assistant to the Director, Ship Safety Standards Office, Safety Policy Division
Maritime Bureau, MLIT

Mr. Tadayuki UEMURA
Director, International Negotiations Office, Ocean Development and Environment Policy
Division
Maritime Bureau, MLIT

Mr. Keiichi YOSHIHARA
Director, International Negotiations Office, International Shipping Division
Maritime Bureau, MLIT

Mr. Mitsuhiko IDA
Deputy Director, Shipbuilding and Ship Machinery Division
Maritime Bureau, MLIT

Mr. Nobuyuki OTA
Assistant Director, International Planning and Coordination Office, General Affairs Division
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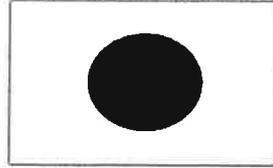
Mr. Tetsuya MORI
Counselor for Transportation Policy
Embassy of Japan

Mr. Taro ONO
Coast Guard and Transportation Attaché
Embassy of Japan

Ms. Yokho MITCHELL
Interpreter

Ms. Kazuko SHERMAN
Interpreter

ANNEX TWO



United States – Japan Maritime Bilateral Meeting Agenda 16 August 2016

- | | |
|--------------------|--|
| 09:00-09:30 | Introductions, opening remarks, and group photo |
| 09:30-10:00 | National maritime policy updates (Lead: United States) |
| 10:00-10:30 | Panama Canal expansion: inauguration and initial effects (Lead: United States) |
| 10:30-10:45 | Break |
| 10:45-11:15 | Safety issues (Lead: Japan) <ul style="list-style-type: none">• Maritime cyber security• Mooring operations• Lifting appliances onboard |
| 11:15-11:30 | Japanese commercial shipbuilding industry update (Lead: Japan) |
| 11:30-12:15 | Environmental issues (Lead: Japan) <ul style="list-style-type: none">• Ballast water management• Greenhouse gas emissions• Ship recycling |
| 12:15-13:45 | Lunch |
| 13:45-14:15 | Possibilities for U.S.-flag car carrier operations (Lead: United States) |
| 14:15-14:45 | Antitrust regulatory system review / Ocean carrier agreements and antitrust exemption system (Lead: United States) |
| 14:45-15:00 | Break |
| 15:00-15:30 | Strengthening the relationship between the Japan Maritime Bureau and United States Maritime Administration through an exchange program (Lead: United States) |
| 15:30-16:00 | Closing remarks / Discussion of future cooperation |