



United States Department of State

*Under Secretary of State
for Economic, Business, and
Agricultural Affairs*

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OFFICE OF THE UNDER SECRETARY
FEDERAL MARITIME COMMISSION

Washington, D.C. 20520-7512

January 20, 2004

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Dear Mr. Blust:

I am pleased to report that the United States and China signed a new Agreement on Maritime Transport on December 8, 2003. Following its entry into force, the Agreement will remain in force for five years and will be extended automatically for successive one-year periods thereafter.

Transportation Secretary Mineta has described the Agreement as one of the most far-reaching in the history of maritime trade between the United States and China. **Once** the Agreement comes into force, U.S. carriers will be able to carry out an extensive range of additional shipping and logistics activities in China, much like Chinese carriers already do in this country. Shipping companies and container transport service companies of each country, as well as their subsidiaries, affiliates, and joint ventures, will be able to establish branch offices in the territory of the other country without **geographic** limitation. Directly or through branch offices, they will be able to engage in the business activities set out in Parts I and II of the Annex.

Signing the Agreement is the first step toward its implementation. The Parties expect one another to take additional actions before bringing the Agreement into force. The United States expects China to amend the licenses granted to U.S. shipping companies allowing them to exercise the rights under the agreement. The Chinese **Government** has emphatically stated its intention to provide expeditious changes to the licenses granted to U.S. shipping companies. As a consequence, U.S. carriers will benefit from a significant expansion in business opportunities. Likewise, their customers will enjoy a greater range of transportation services to and **from** China than have been available to date.

The Honorable
Steven Blust,
Chairman,
Federal Maritime Commission.

China expects **the United States** to grant exemptions to the three Chinese state shipping lines from certain **provisions** of the Controlled Carrier Act, so that they can lower their tariff rates upon publication. During negotiations of **the Agreement**, it was made clear to the Chinese side that the U.S. negotiators did not have any authority to change the applicable law or preempt the statutory authority of the Federal Maritime Commission to regulate government-owned or -controlled shipping companies. The Maritime Administration has informed the Commission that China has agreed to eliminate significant restrictions in its shipping market. In light of this undertaking, U.S. negotiators agreed to support the petitions filed by the Chinese shipping lines.

The Department of State joins the Maritime Administration in recommending the Commission's favorable consideration of the petitions filed by the Chinese shipping companies. The U.S. Maritime Administrator, Captain William Schubert, has underscored the constructive spirit that prevailed during the final negotiation and signing of the Agreement. The Agreement accomplishes key maritime goals for both the United States and China. We look forward to bringing **this Agreement** into force soon.

Sincerely,

A handwritten signature in cursive script that reads "Alan Larson".

Alan Larson