

MONTHLY REPORT for ICS**January 2025**

NOTE TO THE READER: Reference to the Federal Register may be found at <http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR>.

References to legislation may be found at <https://www.congress.gov> at the center of the page.

Panama Canal Repurchase Act of 2025 (HR 283)

The above referenced bill was introduced in early January in the House with a parallel Senate version expected to be introduced in the near future. The House bill has been referred to the Committee on Foreign Relations. The draft text authorizes (but does not require) the President (in coordination with the US Secretary of State) to enter into negotiations for the reacquisition of the Panama Canal and would require a report to Congress 180 days post enactment on the status of these negotiations. If the President decided to pursue this authorization, the report would contain a summary of activities at that time. If the President decided to not pursue this authority, the report would indicate this decision as well likely with reasons for not pursuing negotiations.

CSA has been engaged in discussions with Senate Committee staff primarily focused on the industry perspective on the operational efficiency of Panama Canal operations including the auction system. However, based on statements made by President-elect Trump and his spokespersons, it appears his primary focus is on national security issues relating to fair access to the use of the canal by military and commercial vessels supporting military missions. The incoming Administration has also expressed concern with the growing investment by China in the Panamanian ports and infrastructure leading to the potential for undue Chinese influence over the operation of the canal itself, although at this time, there are no reports from industry of unfair practices.

**Senate Hearing – Panama Canal/Secretary of State Rubio Meeting
with Panamanian Government**

The Senate Commerce, Science and Transportation Committee held a full committee hearing titled "Fees and Foreign Influence Examining the Panama Canal and its impact on US Trade and National Security on January 28 2025. The hearing focused on the importance of the Panama Canal to the American economy and national security and the canal's role in US trade, challenges of capacity limitations and rising fees as well as the potential dangers posed by the

involvement of China and other foreign powers. Witnesses included the current Federal Maritime Commission Chairman, the past Federal Maritime Commission Chairman, a legal professor, and the President of the World Shipping Council.

Member statements at the opening of the hearing supported an aggressive US strategy to investigate and counteract China's potential, but as yet unproven, influence on Canal operations. Of critical note is the testimony of the legal professor discussing the provisions of the Neutrality Treaty signed by the US and Panama when the canal was turned back to the Panamanian government. Provisions of the treaty provide that each party to the treaty has the legal right to intervene if the neutrality of the Canal is compromised. The principal concern at this time is that China appears to be positioning itself to exert economic control through its significant investments in the port infrastructure in both Cristobal and Balboa. He noted that investment alone would not constitute a violation of the treaty but other evidence establishing control would be supported by the investments already made by China.

The hearing was appropriately timed given that the new US Secretary of State, Mark Rubio, has planned a diplomatic visit to Panama the first week in February. Also of note is the fact that Panama is conducting an audit of canal operations which we believe is intended to show that Panama is fully in control of canal operations without any influence from China or other foreign powers. CSA will continue to monitor this issue and provide any updates/conclusions particularly results from the Rubio diplomatic visit in early February.

Tariffs

Recent discussions on the use of tariffs by the new Administration have been announced. Currently, President Trump has announced the imposition of import tariffs on February 1 on China (10%), Mexico (25%) and Canada (25%) with certain exceptions.

While tariffs are typically imposed on trade issues, President Trump appears to be using the threat of tariffs to urge behaviors by certain nations on non-trade issues e.g. national security, border security, human rights, which makes it difficult to predict future developments relative to tariffs or the countries on which they may be imposed.

US Trade Representative – Decision on Petition

The US Trade Representative has published its opinion on its investigation of the April 17 2024 Section 301 (Trade Act of 1974) petition by US labor unions alleging unreasonable or discriminatory acts, policies, or practices that burden or restrict US commerce by China. It should be noted that this investigation focused solely on whether the petition provided sufficient evidence to prove these allegations but did not focus on any remedies which might be appropriate

if the allegations were deemed true. The petition recommended certain remedies, one of which was the imposition of a port fee on vessels calling in the US that had been built in China, regardless of the current ownership or registry of the vessel. We expect a discussion of the remedy phase to be pursued which will give industry an opportunity to comment on remedies being considered.

A summary of the decision and a link to the copy of the full report is available at: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2025/january/ustr-finds-chinas-targeting-maritime-logistics-and-shipbuilding-sectors-dominance-actionable-under>

The key findings of the report are China's targeting of the maritime, logistics and shipbuilding Sectors for dominance is unreasonable, burdens or restricts US commerce, and threatens the competitiveness of US allies and partners' industries.

Cybersecurity in the Marine Transportation System USCG Final Rule

USCG's Cybersecurity in the Marine Transportation System final rule was published in the Federal Register on Friday, January 17th. A copy is located here: [Cybersecurity in the MTS Final Rule JAN 2025](#)

It is important to note first, the new Administration's Regulatory Freeze Executive Order. USCG's legal team is working with the DHS Office of General Counsel to determine if any additional action will be taken on this rule. The final rule would be effective in July of this year. The implementation period for U.S. Flag vessels is open for public comment and therefore undetermined at this time. Further information on this below.

Additionally, the Congressional Review Act allows Congress to review any rule issued during the last 6 months of the outgoing Administration. If Congress chooses to review this rule, then they will table the rule. Any future regulations on this topic would require Congressional approval to proceed.

That being said, pages 5-14 provide an executive summary of which the most valuable section is the differences between the NPRM and the Final Rule. CSA is in the process of digesting the 370 page document and drafting a summary and comments for members.

The rule is final however, there is an opportunity for public comment on a 2 to 5 year delay for the implementation period for U.S. flagged vessels (Details on page 159, Section VII and Table 1 on p13). Note, there will not be any delay in the requirement to report all reportable cyber incidents to the NRC which your vessels have been doing since February 2024 in accordance with Executive Order 14116.

The delay in the implementation of the rule would affect the training requirement within 6 months of the effective date and the designation of the company Cybersecurity Officer (CySO), conducting the Cybersecurity Assessment, and the submission of the Cybersecurity Plan within 24 months of the effective date.

As with CSA's initial comments on this NPRM, the majority of CSA members indicated they prefer the maximum amount of time to implement this regulation due to operational complexities and cost. CSA intends to submit comments to the Federal Docket for the maximum implementation period. Should any CSA members feel different, please contact us.

NOAA – North Atlantic Right Whale Vessel Strike Reduction Proposed Rule Withdrawn

In mid-January, NOAA officially withdrew a proposed rule (published August 1, 2022) from the docket citing insufficient time to finalize the regulation in the current Administration due to the scope and volume of public comments submitted on this proposed rule. CSA timely submitted comments to this rulemaking. It may be recalled that the proposed rule would have significantly expanded the size and class of regulated vessels to which the speed restrictions would have applied (our focus was on the impact on pilot boats) and would have significantly expanded the geographic areas and timing to which the speed restrictions would have applied and introduced mandatory dynamic speed zones in areas where North Atlantic Right Whales were known to be present. NOAA indicates that if it decides to issue regulations on this issue, it will do so in a new rulemaking likely through a proposed rule with an opportunity to submit formal comments.