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COSCO seeks to defuse Pentagon spat

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COSCO, the world's largest shipping company, has sought to downplay news carried by *Splash* yesterday that it has been added to a list of companies the US Department of Defense views as having links to the People's Liberation Army.

While being on the Pentagon's blacklist carries no specific penalties, it discourages US firms from dealing with these companies that Washington views as military entities.

In a statement, COSCO said the subsidiaries singled out by the Pentagon were not Chinese military companies, and the Beijing-headquartered shipping giant is now communicating with relevant US parties to "clarify the facts".

The inclusion of the subsidiaries in the list, COSCO stressed, does not mean that they have been included in any sanctions or export control list, and this will not affect the business and global operations of the group, the company claimed.

Also downplaying the news, Lars Jensen, one of the best known commentators on the container industry, suggested in a LinkedIn post that being included on the Pentagon's China military list would not in itself create any major disruption, as there is no penalty associated with this apart from the US military not being able to ship cargo with COSCO.

"There are not any sanctions announced on COSCO and other firms identified on the list though there is potential for 'self-sanctioning' on the part of market players out of fear of running afoul of US policy," argued shipping analysts at investment bank Jefferies in a note to clients yesterday.

Also on the Pentagon's blacklist are China State Shipbuilding Corp (CSSC), the nation's top shipbuilder, and China National Offshore Oil Corporation (CNOOC), China's top offshore explorer. Other shipping-related firms deemed military entities by the Pentagon include China International Marine Containers (CIMC), the world's top container manufacturer, China Communications Construction Group, a major builder of ports around the world, and Sinotrans & CSC Holdings, one of China's top shipowners.

The last time COSCO was targeted by Washington was in 2019 when its tankers were sanctioned for a few months for carrying Iranian oil, a move that quickly saw VLCC rates spike to \$200,000 a day.