The construction of the Panama Canal was a feat of human ingenuity that has impacted the movement of merchandise across the globe, serving more than 144 routes, connecting 1,700 ports in 144 countries. Currently on its 100th year anniversary, the waterway has facilitated the transit of more than 1 million vessels, carrying over 9 billion long tons of cargo.

Since its transfer to Panama in 1999, the Canal has dramatically changed its business model and this promotes the development of the transportation and logistics sector in Panama. The Canal has guaranteed its efficiency for the past century through permanent maintenance and modernization of its infrastructure, installing the most robust and up-to-date technology and providing the best training for its workforce.

Historically, Panama and Japan have maintained close commercial ties, stemming from the sea-borne movement of goods, originating from and destined to, the United States East coast ports via the Panama Canal trade route. In terms of cargo tonnage, Japan ranks among the top four user nations of the Panama Canal. Japan is a major importer of grains, particularly corn, sorghum and soybeans harvested in the Midwest of the United States and shipped through Gulf ports. On the other hand, specialized vessels carry cars and light trucks exported from Japanese ports for the North American consumer market.

Today, Japan’s top three shipping lines: NYK LINE, Mitsui O.S.K. Lines, “K” LINE rank among the top 20 customers of the waterway. Over the years, the Panama Canal has continuously engaged in conversations with our Japanese customers to discuss issues of mutual interest related to the Canal transit service.

Currently, the Panama Canal is undertaking the largest project since its construction. The Panama Canal Expansion Program will add a new lane of traffic to the waterway, doubling its tonnage capacity to satisfy the increasing demand of the maritime sector.

To procure the required financing of $2.3 billion to complete the expansion of the waterway, the Panama Canal Authority (ACP) signed loan agreements with a group of bilateral and multilateral credit institutions on December 2008. The Japan Bank for International Cooperation (JBIC) was one of the five credit institutions, providing US$800 million to finance the Expansion Program.
Already 81 percent complete, this engineering endeavor consists on the construction of two locks’ complexes, one at the Atlantic and the other at the Pacific; the creation of a new access channel that will join the Culebra Cut to the new locks in the Pacific; the widening and deepening of existing navigational channels; the deepening of Canal entrances at both sides of the isthmus; and the elevation of Gatun Lake’s maximum operating level to provide for a larger water reservoir.

Once the new lane is operational, the Canal will be able to handle vessels of 49 meters in beam, 366 meters LOA, and 15 meters tropical fresh water draft, with a nominal deadweight tonnage of up to 170,000. Containerships deployed through the waterway will be able to carry three times more containers than the ones that transit today (from 4,400 TEU to 13,200 TEU) and dry bulkers and tankers will be able to transport twice the tonnage allowed in the Panamax-size vessels that currently trade within the Canal routes. All in all, this is a project that will provide economies of scale and cost reductions along the supply chain – especially for shipping lines and shippers – as well as growth opportunities for the ports and areas that are origins and destinations of cargo.

With the inauguration of the expanded Canal, the waterway will have a significant impact in many segments of the international markets and will foster the growth of foreign trade, of user countries, through the Panama route. The Expansion will be able to accommodate 98 percent of the world’s vessel fleet, including Japanese vessels currently in existence and in the order book. The transit of larger vessels through the waterway will benefit from the economies of scale which could be passed on along the supply chain. Mini-capsize vessels of 95,000 deadweight tons could carry grains from the U.S. Gulf Coast to Japan, as well as capsize vessels of up to 185,000 deadweight tons, could carry 130-140,000 tons of thermal coal from the U.S. Gulf Coast, or Colombia, to Japan. With the expansion, containerships carrying 13,200 TEUs will be able to transit, in lieu of, the maximum size of 5,000 TEU that is allowed today.

The expansion will also open new potential markets, such as the transit of liquefied natural gas (LNG) through the waterway. That would open a potential for Japan to import LNG from locations like the new LNG terminals that are being developed in the U.S. Gulf Coast.

The Panama Canal foresees that most LNG volumes that will move through the Panama Canal will flow from the Atlantic to the Pacific, mainly from the United States and Trinidad. These LNG volumes that will flow will depend on a number of factors. For instance, the LNG from the Gulf of Mexico that will end up in Asia (Japan, South Korea, Taiwan, China) will be closely related to the export volumes permitted, as well as global and regional macroeconomic performance and nuclear power policies, which will have an impact on the global demand for LNG and the volumes that we may see through the waterway.
In addition to the vast array of opportunities that the expanded Canal will bring to the region, Panama, as a country, is currently facing a dynamic growth. The country, located at the narrowest point of the Americas, provides unparalleled connectivity to world markets, access to two oceans through very large port facilities and short rail and road connections, and the most important air transportation hub in the region. Panama also offers a reliable financial and commercial services center, recognized internationally. This has led many multinational companies to set their regional headquarters in Panama, taking advantage of this growth and stability.

However, in order to provide the full advantage of the country’s connectivity to our customers, the Panama Canal is now exploring areas in which it can pursue other commercial undertakings that are close to its core business, but that can add substantial value to our transit customers, as a one-stop gateway to multiple services. Such endeavors include transshipment container terminals, logistic parks, shipyards, and an LNG bunkering station. This will enable Panama to become a logistic hub, with the Panama Canal Expansion as a driving force.

We are confident that with the inauguration of the expanded Canal, the waterway will certainly change the patterns of world trade and position Panama as the transportation and logistics hub of the Americas, benefiting the country and our trusted customers.

* This article was contributed in November 2014.

Mr. Quijano visited Japan in Nov. 2014 and had a meeting with Mr. Asakura, President of the Japanese Shipowners’ Association.