



# NATO DEFENSE COLLEGE FOUNDATION

## STRATEGIC TRENDS

May 2016

### **EMERGING CHALLENGES**

#### **A new, different life for the Panama Canal,**

On June the 26th, Panama and the rest of the world will watch the inauguration of the Panama Canal Expansion. The historical moment will be celebrated by the Neopanamax Chinese vessel COSCO Shipping Panama which will begin its transit across Panama along a stand of national and international VIP.

The Panama Canal is about to redraw world trade once again. Nine years of enlargement work and \$5 billion spent will double its capacity for a new type of cargo from the Atlantic to the Pacific. However, as stated by Moses Kopmar (Moody's Investors Service analyst), the expansion will not solve all the Canal's challenges. While tripling the size of cargo vessels it can receive, Panama still will not be able to take the biggest container ships or crude tankers. Even worse its traffic will depend more from the health of global economy than from its new capacity.

The first type of customer for the Canal will be the American tankers that transport liquefied natural gas. In fact, both the recent US policy changes on oil regulations which eliminated the forty-year old ban on

crude exports and the quantity of shale gas extracted in the last four years, are some of the triggers that prompted for the enlargement. The second type would be the global manufacturing industry, interested in using the Canal as a distribution hub. In any case, the great advantage for the shipping business will be the decreasing number of days necessary to go from the USA to Asia. The third type of client will come from Mexico, Venezuela and Colombia which will open new routes for oil: it would be interesting to see what Venezuela will do considering its problematic domestic policy and constant riots against President Maduro.

Finally we can imagine the creation of an unofficial new trade programme called “oil for goods”, where the US interest is in selling oil to Asia, while China in primis would focus on exporting every kind of goods Europe is not able to buy because of the current economic crisis. At the same time, Americans harbours will need to upgrade their facilities in order to accommodate new bigger ships. New canal, new trade.