



JOURNEY THROUGH CHINA

THE PANAMA CANAL



Introduction

The shipping industry is of the utmost importance to the strength and progression of the global economy. Transporting 90% of all goods around the world, secure and efficient routes are required to facilitate this trade and ensure that the global economy can grow and flourish.

The Pacific Tycoon Journey Through China reports have been developed to examine the most important shipping and trade routes around the world and analyse their impact on the global economy. The Panama Canal is one of the best-known and most important shipping thoroughfares in the world. Measuring 77.1 kilometres in length, the canal connects the Atlantic Ocean to the Pacific Ocean via the Caribbean Sea and is vital to the global transportation of goods in a timely and efficient manner. The Panama Canal already significantly impacts the shipping industry, yet its importance will continue to grow, driven by ambitious expansion plans in place. These plans will increase the effectiveness and preserve the importance of the Panama Canal.

The History of the Panama Canal

As early as 1513, navigators and explorers started to consider whether it would be possible to connect the Pacific and Atlantic Oceans. In 1901, 401 years later, the Panama Canal officially opened and has been in regular use for 100 years. The canal took 34 years to build and required the combined efforts of French, Dutch, British and American construction.

In the present day, it has been described as “perhaps the most crucial piece of infrastructure supporting the free flow of trade and goods in the Western hemisphere.”

The canal serves 144 maritime routes, connecting 160 countries and 1,700 ports. Every year, approximately 15,000 ships, carrying more than 195 million tons of cargo, travel through the canal. The reason for its popularity is the impact that it has had on the efficiency, speed and effectiveness of container transportation. The alternative to the canal is to sail round the bottom of South America. By travelling through Panama, ships reduce their journey by 7,872 miles or more than 12,000 kilometres.

The sheer scale of the traffic that travels through the trade route combined with the enhanced efficiency gains made by each vessel highlights the impact that the Panama Canal has had. It has made the world smaller, increased international connectivity and helped trade-based economies such as China to thrive and grow. The incredible importance of this stretch of water is highlighted by the fact that it was controlled by the USA until 1999 and only handed over to the Panamanian people on the basis of signing a treaty that guarantees the permanent neutrality of the canal.



Expansion of the Canal

Already one of the most important trade routes in the world, the next stage of the Panama Canal's expansion – known as the Third Set of Locks Project – will further increase its impact on container transportation, global trade and economic growth.

More than 80% of the expansion has been completed including the dredging of the Pacific and Atlantic entrances. The entire project is set to be finished in 2015. The programme consists of new locks (the third set), a Pacific Access channel, and improvements to navigational channels through dredging and to the water supply.

The initiative is aiming to double the capacity of the canal by 2016, achieved by creating a new lane of traffic, allowing larger vessels and increased shipping levels access to this thoroughfare. Underlining the sheer size and volume the expanded canal will facilitate, a class of specially built New Panamax ships are in production. The new vessels will be able to successfully navigate through the canal and carry up to 170,000 deadweight tonnage or 12,600 TEU – more than twice as much cargo as is currently possible.

One of the key drivers behind the exponential growth of the Panama Canal is the ever-increasing level of US imports from China, with trade passing through en route to ports on the US East and Gulf coasts. The completed expansion will facilitate even greater exports from China to, not only the USA, but also other key global markets.

The Journey Through China reports analyse the impact of trade routes on Chinese-driven trade and the prospects for the Dragon Economy. China is the number one trading nation in the world and is responsible for almost 12% of global exports. Significant developments such as the Panama Canal are imperative for the sustained growth of this trade and China's economy.

The Panama Canal is an unrivalled passage for international maritime trade. It has facilitated the global rise in trade and allowed China to build economic relationships with key markets. Its impact on the global economy cannot be overstated.

Through this trade route, shipping has become more efficient and cost effective and the distance between suppliers and markets has been shortened by almost 8,000 miles. China's economic prowess is largely built on its enviable ability to connect with markets and trade goods around the globe. The Panama Canal and its developments will reinforce the trade-based world economy and China's position at its heart.



Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website:

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