

Win-win Opportunities for Chinese Enterprises and Panama Canal

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Your Excellency Minister Kuzniecky,
Honorable Chairman O'Neil,
Honorable Aleman,
Distinguished guests, Ladies and gentlemen,

Good Morning.

On behalf of China Shipowners' Association and COSCO Group, I would like to begin by saying it is a great pleasure and honor for the Chinese shipping community that the Panama Canal Authority has chosen Shanghai as the host city to convene the "Panama Day" in Shanghai. I believe that this important Forum will enhance the mutually beneficial cooperation and communication between Chinese shipping circle and our Panamanian counterparts.

For almost one hundred years, the Panama Canal has been contributing significantly to the world shipping industry and the global trade. Acting as the link between the Pacific and the Atlantic Ocean, the Panama Canal shortens the voyage by 5,500 miles for oceangoing vessels engaged in shipping business between Asia and the east coast of the United States. At present, more than 100 shipping routes are transiting the canal. Each year, about 15,000 vessels carrying 5% annual global trade volume pass through the canal. The canal clients including COSCO have enjoyed safe, efficient and top-quality service.

Now, China has been the second largest user of the Panama Canal. The development of the Panama Canal has also assisted the trade between China and American countries. According to Clarkson Research, 88% of the trade activities through the Panama Canal are between Asian region and the US, among which, trade volume concerning China accounts for 40%.

For the past two years, trade and economic activities between China and Latin American countries have been also growing rapidly. In the future, we believe more and more Chinese vessels will transit the Panama Canal to call at ports in Caribbean countries or the eastern coast of South America.

Recently, with the booming of global economy, the trade activities in Asian-pacific region have shown unprecedented prosperity. The dramatic growth in the volume of goods has led to the deployment of an increasing number of post-Panamax vessels. As a result, the capacity of the Panama Canal has been utilized to its limit and the development of the canal has encountered bottle-neck effect. Facing the new challenges, the Panamanian made a momentous decision- they voted in favor of the canal expansion project by an emphatic margin in the national referendum last October.

The expansion project will create important and positive impact upon the global trade and shipping industry. The immediate effect is that the traffic capacity of the canal will be increased by one fold, allowing larger vessels, including 12,000 TEU container vessels, Capesize bulk carriers as well as VLCCs, to transit the canal. The expansion project of the Canal will give shipowners more choices of routes and opportunities of operation.

For container trade, at present, the growth rate of the annual trade between China and America is over 20%. The number of containers transported from China to the US east coast will maintain a 20% growth rate. After the expansion of the canal, the operation opportunities of this route will drastically increase.

As for bulk and general cargo, the volume of imported cargo by China such as iron ore, coal and soybean from Brazil and Argentina is showing a clear upward trend. According to the China Customs data, in 2006, the trade volume between China and Latin America reached 70.22 billion dollars, a 39.1% growth over the previous year. The majority of cargo is raw material imported from the abovementioned countries. After the expansion, bulk carriers with 300,000 tons of capacity can transit the Panama Canal, giving greater opportunities for bulk carrier owners from this route.

As for oil transportation, after the expansion, tankers with more than 300,000 tons of carrying capacity transporting crude oil from Venezuela can transit the Panama Canal rather than going to Far East regions via the Atlantic and the Indian Ocean. At the same time, the transportation time will be shortened from 45 days to 24 days. Besides, it will promote the transportation of crude oil, product oil, and bitumen. For tanker companies, this is good news.

Furthermore, as the main traffic artery connecting the east and the west as well as the North America and South America, the Panama Canal has unique geographical advantages. The port industry in Panama has been continuously developing. If the open system of ship registry and the maritime industry including legal, financial and insurance service further develop, in the future, Panama will become the new shipping center, in

particular a transshipment center. Chinese forwarders may transfer cargo from Central America, South America and the Caribbean region via Panama to speed up the delivery and to improve the transportation efficiency.

Except for the opportunities brought to Chinese shipping companies, the Panama Canal can also give potential chances to financial organizations and construction companies in China. The expansion project will include the building of a third ship lock with three main structures. The project will last seven years, requiring approximately 5.25 billion dollars. For further information about the canal expansion project, Mr. Jorge L. Quijano, Director of ACP's Department of Maritime Operations, will give us some details later on.

As we know, Chinese enterprises have maintained increasingly close contacts with their Panamanian counterparts. I believe the expansion project of the canal will create more collaboration opportunities for businesses from both countries. First of all, the Chinese government has been always encouraging Chinese enterprises to go international to participate in major international projects. Secondly, by participating actively in some major international projects, Chinese enterprises have accumulated due experience. Chinese enterprises, especially Chinese project construction enterprises have strong advantages in technology, equipment, cost control, capital and human resources. Besides, thanks to the reform and development of finance industry in recent years in China, Chinese banking industry and investment companies have improved performances in the global investment and financing operation. They have also accumulated rich experience and enlarged investment capabilities. I believe they are able to contribute to the financing of the expansion project.

Meantime, we have noticed that the Hutchison Whampoa Limited (HWL) has heavily invested in some of the Panamanian ports. It has achieved quite satisfactory results. COSCO is pro-actively participating in the bidding of the Mega-Port on the Pacific side. Hence, I personally believe there are enough room and opportunities for Chinese enterprises to take part in the Canal expansion construction and to invest in the shipping industry in Panama.

On the other hand, the canal expansion will also promote the business and trade between China and Latin America. As far as I know, Panama has become the third largest trade partner of China in Latin America. According to the data from Ministry of Commerce of China, in 2005, the trade volume between China and Panama reached 3.17 billion dollars, a 44.1% increase over the previous year. The trade towards Panama is mainly done through Colon Free Trade Zone. Quite a large volume of exported goods was transported through Colon to Central America and Caribbean Countries with some quantity going to South America. China so far is the largest supplying country in Colon Free Trade Zone, accounting for 29.5% of the total quantity. It is believed the canal expansion will enhance the export of Chinese enterprises in this region. Trade opportunities will grow accordingly.

In general, I believe, after the Canal expansion, more vessels will call at Panama for operation and larger volumes of cargo will transit the canal. For example, grain from the US, oil from Venezuela, iron ore from the eastern part of South America will be transported to Asia via a more convenient route. This will not only further stimulate the shipping in Panama but also bring considerable revenue to Panama, making Panama a crucial shipping hub in this region.

Chinese people and Panamanian people have long tradition of friendship. At the end of the 19th century and the beginning of the 20th century, millions of Chinese workers were engaged in the excavation of the Panama Canal. Since the 1960's, Chinese people have been supporting the efforts by the Panamanian people to take over the sovereignty of the canal from the United States. In recent years, the economic and trade cooperation between China and Panama has been growing dramatically. There is great cooperation potential in the expansion trade and business partnerships. Chinese enterprises hope to advance various modes of economic and trade collaborations with Panamanian counterparts. I believe Panamanian enterprises are also interested in developing economic and trade relations with China.

It is my strong belief that as long as the two governments and enterprises from both sides will follow the principle of win-win in strengthening cooperation in project building, investment, port operation, logistics, human resource and technology, we can achieve the goal of mutual development. As the forerunner of the China-US business partnership, COSCO is ready to act as a bridge for enterprises from both countries and a link for friendship between our two peoples.

Ladies and gentlemen!

I wish the expansion of the Panama Canal a great success. I also wish the canal can continue to contribute to the growth of maritime trade between China and the American continents.

Thank you very much.