

Trump's Panama Canal take-over talk sparks fear of trade disruptions, cost hikes

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Indian exporters are bracing for probable chaos on the US West Coast as President Donald Trump's controversial bid to "take over" the Panama Canal threatens to ignite a new geopolitical crisis.

With the Canal serving as a crucial artery for global trade between the Atlantic and Pacific Oceans, any disruption could trigger severe bottlenecks, driving up costs and delays for exporters who are already grappling with supply chain instability.

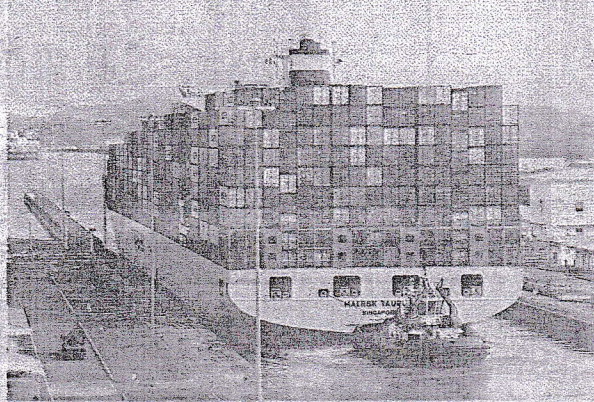
In normal times, the Canal carries about 5 per cent of the global maritime trade.

DIRECT ROUTE

For countries like India, increasing trade with the US requires greater use of the canal. The waterway allows for direct (and cost-effective) transportation of goods between the two regions.

"So there could be impact on businesses that deal with the West Coast, like higher costs or delayed transit times, if there is fresh turmoil on the route," said an exporter.

Officials at the Shipping Ministry indicated that it's "too early" to assess the im-



ARTERIAL ROUTE. In normal times, the Canal carries about 5 per cent of the global maritime trade REUTERS

pact of President Trump's statement. But they maintained that disruptions in the Panama Canal can impact trade. "Its early days still. Lets see how things play out there," a Shipping Ministry official said, requesting anonymity.

Disruptions in the Panama Canal could also impact economic relationship with Latin American nations, say some observers.

Incidentally, the canal is one of the US's most important trade routes, with about 40 per cent of the country's container ships passing through the waterway.

On Monday, President Trump, said: "American ships are being severely over-

charged and not treated fairly in any way, shape or form.... And above all, China is operating the Panama Canal. We didn't give it to China. We gave it to Panama and we are taking it back." His statement elicited strong reaction from Panama President, Jose Raul Mulino.

Hong Kong's Hutchison Whampoa operates two ports on the waterway — the Port of Balboa on the Pacific side and also Cristobal on the Atlantic end.

THE PANAMA CANAL

The US built the Panama Canal in the early 20th century. After years of protest, former US President Jimmy Carter signed a treaty with

Panama in 1977 to gradually hand back control of the waterway.

In 1999, Panama took full control of the canal with a treaty in place that allows it to remain neutral and open to vessels of all nations.

Last year, the Canal had faced its own share of problems with drought like conditions impacting ship movement. However,

Trump's comments on reclaiming Panama Canal comes in the back-drop of the Panama Canal Authority (ACP) upping reservation costs and fees for 2025.

Starting 2025, the ACP is maintaining the auction system while also increasing pre-booking costs and adding other fees.

Transit reservation fees for Panamax and Neopanamax vessels are up, while a 'Last Minute Transit Reservation' (LMTR) fees have also been introduced now (to vessels that fail to secure a transit slot at auction).

Post this, carriers have announced new Panama Canal surcharges on Asia-US east coast transits including the ones like MSC; while Maersk is looking at imposing peak season surcharge for dry containers travelling from Far East Asia to East Coast South America.