

## Canal project could lower prices in U.S.

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PANAMA CITY, Panama - The United States on Monday applauded Panama's overwhelming vote in favor of widening its canal, an eight-year project that will cost \$5.25 billion and should lower prices for shoppers on the East Coast buying goods from Asia.

The massive project, which would add a third set of locks on the Atlantic and Pacific sides of the waterway, is expected to double the 50-mile canal's capacity, allowing container ships, cruise liners and gas tankers currently too wide for its dimensions to squeeze through.

"There will be an impact on the pocketbook," U.S. Ambassador William Eaton told reporters in Panama City. "The transit costs will be cheaper and that will have an effect on the market."

The United States, which built the waterway in the early 1900s and controlled it until 1999, had been mum on the

expansion plan so as not to sway Sunday's referendum. But Eaton said Monday that Panamanians had made the right choice.

"This is important to the U.S. It's important to our economy," he said. "We welcome expansion."

While turnout was only about 43 percent of Panama's more than 2.1 million eligible voters, nearly eight in 10 voted in favor of expansion. Construction won't begin until 2007 and is expected to take up to eight years.

President Martin Torrijos, who staked his political future on the plan, said the project, the largest in the canal's 92-year history, would create 40,000 jobs.

The Panama Canal Authority, the autonomous governmental agency which runs the waterway, will borrow \$2.3 billion between 2009 and 2011 to help finance the expansion, but expects to pay for the entire project by gradually increasing tolls for ships that sail through it.

Marvin Castillo, director of Panama's Maritime Chamber, said "any increase in tolls will have to be spread widely

enough through all sectors of the shipping industry so that users can prepare for it and it won't represent a major hit."

The canal is on pace to generate \$1.4 billion in revenues this year, but could produce \$6 billion in revenues per year by 2025.

A chunk of tolls paid on each ton of cargo that passes through the canal goes to the national treasury for education and other social programs.

About two-thirds of shipping traffic passing through the canal is headed to or coming back from the United States. That figure will likely get even higher after expansion is complete.

The biggest vessels now moving through the Panama Canal's 108-foot-wide locks are known as Panamax ships, carrying up to 4,000 containers. But 27 percent of the world's containerized shipping is hauled by vessels that can carry 8,000 containers but are too big for the canal. By 2011, 37 percent will be too big, the canal authority says.

Many international shippers also said the expansion was necessary given the increasing amount of products from China, Hong Kong and other parts of Asia that need to be transported to stores on the U.S. East Coast. China is the canal's second-biggest user, comprising 18 percent of traffic.

Some U.S. Republicans have worried about Beijing's growing influence in the canal zone. Ports on the waterway's Atlantic and Pacific sides are managed by shipping giant Hutchinson Whampoa Ltd., which is controlled by Hong Kong-based tycoon Li Ka-shing.

But Eaton said the U.S. largely views Chinese interest in the canal as "purely economic."

"They have a huge stake in making sure the Panama Canal operates efficiently and safely, just as we do," he said. "We don't see ulterior motives in the Chinese interest."

President Theodore Roosevelt arranged for Panama's independence from Colombia in 1903 to build the canal. By some accounts, more than 25,000 people died during American and French efforts to build the waterway, which opened on Aug. 15, 1914.

Torrijos' father, Gen. Omar Torrijos, who took power in a coup in 1968, signed a treaty with President Jimmy Carter in 1977 that ceded control of the canal to Panama on Dec. 31, 1999. Since then, accidents and the time needed to transverse the canal are down, while revenues are up.