

**Statement of**  
**The Honorable Daniel B. Maffei**  
**Commissioner, Federal Maritime Commission**  
**on**  
**“Fees and Foreign Influence: Examining the Panama Canal and Its Impact on U.S. Trade and**  
**National Security”**  
**Before the**  
**U.S. Senate Committee on Commerce, Science, and Transportation**  
**January 28, 2025**

Thank you, Chairman Cruz, Ranking Member Cantwell, and members of the Committee for inviting me to participate.

The Panama Canal is crucial to ensuring an efficient and reliable ocean transportation system, particularly for the United States. When the Canal opened in 1914, global trade by sea was drastically altered as international commerce benefited from the expedited maritime passage through Central America. Today – more than 110-years later – the Panama Canal remains vital to maintaining resilient supply-chains for both American importers and exporters.

The Panama Canal has always had limits to its capacity. Because the Canal is essentially a waterway bridge over mountainous terrain above sea level, it depends on large supplies of fresh water to maintain full operations.

Panama has among the world’s largest annual rainfalls. Nonetheless, insufficient freshwater levels have occurred before in the Canal’s history, such as in the 1930’s, when Madden Dam and Lake Alejuela were built to address water shortages. Since that time, the Canal has undertaken several projects to accommodate larger, more modern ships. Less than a decade ago, the Panama Canal Authority opened new sets of locks on both the Atlantic and Pacific ends.

In the last couple years, a trend of worsening droughts in the region forced limits to the operations of the Canal. Starting in June of 2023, the Canal Authority employed draft restrictions (preventing some larger and/or heavily loaded ships from passing through the Canal’s lock systems) and reduced the number of ships allowed to transit the Canal per day.

The diminished capacity at the Panama Canal, in combination with the de facto closure of the Suez Canal – due to Houthi attacks in the Red Sea – had serious consequences for ocean commerce which sometimes included increased rates, fees, and/or transit times. U.S. importers and exporters expressed Panama Canal-related concerns to Commissioners and staff at the FMC, including doubts about the future reliability of the Canal and questions about how the Panama Canal Authority was determining which ships could transit the Canal and when.

The FMC has statutory authority under the laws concerning foreign shipping practices to investigate and potentially take appropriate counter action if it finds that a foreign country, through its laws or regulations, has contributed to “conditions unfavorable to shipping in foreign trade.”

Given this statutory mandate, and consistent with FMC's mission, I and then-Commissioner Sola started to look deeper into the causes of the issues facing the Canal. We thought the first step was to meet with Panamanian officials and other stakeholders and speak to them directly about the conditions adversely affecting the Canal's operations and some of the input we had heard from American shippers. We specifically sought to better understand the current state of the Canal's operations, what was being done to improve them, and whether any aspect of the Canal's operation might result in conditions unfavorable to U.S. shipping that should be formally investigated under the Commission's authority.

While in Panama, we met with the then recently elected President, Jose Mulino, as well as several senior officials in his administration to discuss maritime policy. We also met with the Canal's Administrator and other officials of the Panama Canal Authority. We had additional meetings with private-sector stakeholders.

We had candid discussions on key issues such as Panama's plans to ameliorate the water level challenges, the bidding process used to allocate transits during times of restrictions, and our concern that the Canal Authority was collecting much more money per transit during the crisis than it had before the 2023-24 water shortage. Both the government of Panama and the Canal Authority answered our questions substantively. The Canal Authority informed us they were already making changes to the allocation system.

Fortunately, Panama's 2024 rainy season has now alleviated the most acute water supply issues at the Canal for the time-being and restored normal transit volumes. That said, while the Panamanian government and Canal Authority have, with the advice of the U.S. Army Corps of Engineers, developed credible plans to mitigate future water shortages, they also warned that it is likely at least one more period of reduced transits will occur before these plans can be fully implemented.

Since our meetings in late July, the Commission has continued to monitor Panama's progress on this front and examined other policy changes announced by the Canal Authority. I do have continuing about the auction-like slot allocation procedures – not so much as they are applied right now when transits are not being rationed – but when another lower rainfall period occurs. As we learn more about how Panama and the Canal Authority would handle another drought crisis and receive more input from American importers and exporters, the Commission remains prepared to take any appropriate action, if warranted.

How the Panama Canal's operations affect American commerce remains a priority at the Federal Maritime Commission, and I am very pleased that it is a priority for this Committee as well.

Thank you.