

POLICY BRIEF

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Maritime Shipping is the Lifeblood of Japan's Economy, but Its Complexity Carries Big Risks

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When Donald Trump announced his desire to reassert American control over the Panama Canal, it left the world surprised and puzzled. What did the President want with the Central American waterway, which the United States handed over to Panama more than a quarter-century ago?

So much head-turning news has flowed from Washington since Trump's Inauguration Day bombshell that it is easy to forget what happened next. The US government has not taken over the canal (at least not yet). But Trump's statement did set in motion a major change for the crucial shipping route used by nearly [10,000 vessels](#) in 2024.

CK Hutchison Holdings, a Hong Kong-based company, owns ports at the canal's two entrances. The Port of Balboa is on the Atlantic Ocean, and the Port of Cristobal is on the Pacific. CK Hutchison agreed in March to sell its stakes to a consortium led by the American asset management company BlackRock. One US national security analyst called the deal a ["huge victory"](#) in America's strategic competition with China.

The episode should serve as a wake-up call for countries around the world. Among its lessons is that maritime transport is now a front-and-center issue in global geopolitics. America, Japan, and like-minded partners such as Australia and India have been engaged in intensive discussions on how to strengthen their industrial supply chains. Yet most of the focus has been on the production and sourcing of strategic inputs, such as semiconductors and critical minerals. How those goods and others are moved from place to place has received less attention.

That should change. Maritime transport has immense significance for prosperity and security. Almost 90% of global trade is conducted through commercial shipping, and for some countries, the number is higher. In 2023, maritime shipping accounted for 99.6% of Japan's total trade volume.

The business of maritime shipping is immensely complicated, making regulation and monitoring difficult. Nationalities of the companies and people involved are wide-ranging, and sometimes hard to pin down. Shipping firms typically don't own their ships, at least not on paper. In most cases, they are merely charterers, renting vessels from foreign subsidiaries, affiliated companies, or other businesses. Moreover, the flag that a container ship flies rarely matches the nationality of its users or owners.

Japan is a prime example. According to the Japan Maritime Public Relations Center, in 2023, the Japanese merchant fleet consisted of 2,211 vessels. Of those, only 311, or 14.1%, were Japan-flagged. Half of the rest — more than 950 ships — were registered and flagged in Panama. Other popular flags included Liberia (10.5%), the Marshall Islands (6.4%), Singapore (4.3%), Hong Kong (3.4%), and the Bahamas (2.8%).

The international nature of ships' crews adds to this complexity. Most of the Japanese merchant fleet is operated by non-Japanese seafarers. According to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), as of May 2024, only 1.5% of crew members on Japanese ships were Japanese nationals. The rest were from the Philippines (68.9%), India (13.3%), Myanmar (4.2%), and other countries.

"Flag-of-convenience" vessels and international crews help shipping companies cut costs. But there are trade-offs. In emergencies such as a major natural disasters, ships that are owned, crewed, and registered by people and companies under local jurisdiction can become

important assets. After the Fukushima nuclear accident in 2011, for example, 41 container ships operated by foreign shipping companies canceled planned port calls to Japan, according to MLIT. Container cargo could not be unloaded at Keihin Port near Tokyo for two months. The problem might have been mitigated if Japan had had access to more home-flagged ships subject to its own laws and regulations.

Balance is important, of course. In non-peacetime emergencies — that is, wars — local shipping can be a liability. Commercial vessels that fly the flags of combatant countries can be subject to capture, blockade, and attack. "Neutral"-flagged shipping is critical to maintaining the flow of goods to countries involved in armed conflicts.

At the same time, however, ship operators and crews may refuse to voyage to war-torn countries, especially if they have no family or citizenship connections there. It is therefore important to maintain a maritime workforce that is at least partly local and presumably willing to take more risks to keep the homeland supplied.

Avoiding conflicts should be top priority, needless to say. But if a conflict did break out, keeping maritime transport operating smoothly would be critical. That requires planning — ad hoc responses aren't enough. Cooperation is especially needed in anticipation of a potential contingency, including "gray zone" situations, a step removed from full-fledged wars. Government agencies, the military, law enforcement, and shipping companies should work together to identify the most appropriate responses and create plans to implement them quickly.

As part of that planning, the government and shipping companies should consider the right balance between home-flagged ships, flag-of-convenience ships, and chartered foreign vessels. More thorough information-gathering and analysis on crew composition, ships'

locations during voyages, and the risks related to different countries of registration would be helpful, too.

Maritime shipping may be a commercial, private-sector business, but it is a business that can affect the fate of nations. It is time for policymakers to treat it that way.