

## KOYO LATIN AMERICA, S.A.

–KLA–

### 1. Company Profile

<b>Name</b>	: KOYO LATIN AMERICA, S.A.
<b>Location &lt;office&gt;</b>	: Panama City (Pacific side)
<b>&lt;warehouse&gt;</b>	: Colón Free Zone (Caribbean)
<b>Established</b>	: September 1972
<b>Capital</b>	: 2.5 million dollars
<b>No of employees</b>	: 40
<b>Business</b>	: Export and sale of rolling bearings and related products



Costa Rica

### 2. Introduction of Panama City

The United States returned control of the Panama Canal to the Republic of Panama at the end of 1999. Although it was thought by some to be impossible for Panama to operate the Panama Canal without the assistance of America, this has turned out to be incorrect. Panama's political and social stability has been improved since the control was restored to Panama. The canal's toll income in the six month since the restoration was 438 million dollars.

Returned to Panama were not only the canal but also associated land and water areas, the total area was 14.74 km<sup>2</sup>. There are 15 000 buildings on these land areas, including airports, hospitals, offices, sport centers, recreational facilities, and public institutions. Panama is being changed dramatically through the smooth redevelopment of the restored areas.



Panama City

Panama celebrates two independence days each year. One commemorates the day in 1821 on which Panama gained its independence from Spain and became a state of Colombia, and the another commemorates the day in 1903 on which Panama, with the support of America, declared her independence from Colombia. The population of Panama is 2 720 000, of which 680 000 people live in the capital, Panama City. The country's total land area is 77 000 km<sup>2</sup>, a little smaller than that of Hokkaido, Japan.

The national language is Spanish, however, because of the influence of settlers from the Caribbean area, many people understand English—actually, many English words can be heard in the everyday Spanish of Panamanians. Although Panamanians are said to be less friendly than the people of other Latin American countries, they have been changing since the restoration of the canal. Panama now promotes various types of sightseeing tours, such as trips through the jungle and down rivers.

The number of Japanese companies registered in Panama is 40, and about 400 Japanese were living in Panama in October 1999. However, the number of Japanese has been declining since then because some Japanese companies decided to leave Panama as a result of the Latin American recession in 1999. The number of students attending the Japanese school in Panama City has also been decreasing and now stands at only 30. It is noteworthy that, while the number of Japanese companies in Panama has declined, investment from Taiwan, Mexico, America and other countries has actually increased over the last few years.

More than 400 million dollars of this investment has gone to developing a container port on the Caribbean, where the Colón Free Zone is located. KLA has a warehouse in this zone. A container terminal is currently being constructed at this port that will become the most modern among Latin American container terminals and has the latest in equipment. The number of containers handled in 1994 was 140 000 and increased to 1 million in 1998 (TEU 20-foot calculation), tops among Latin American countries. A railway line running parallel to the canal will start operating in 2001 and will be used to transport containers, further increasing container-handling capacity.

Currently, only ships 60 000 tons or smaller can go through the canal because of the gate size. A new gate, however, will be completed in 2002 as a part of a canal renewal and modernization project which costs 700 million dollars and will make two-way traffic possible. There are also plans to construct the third gate that will enable 150 000-ton ships to

pass through the canal, making Panama an even more important trade hub in the future.



Locomotive that pulls ships through the Panama Canal

### 3. Introduction of KLA

KLA was established in the Colón Free Zone in 1972 for the purpose of promoting sales of Koyo products in Latin American. The Colón Free Zone was expanded after that, and KLA later moved into one of these expansion areas, the France Field Area.

The area where KLA was originally located was reestablished as a beautiful shopping mall, where many tourists now make shopping. There are numerous warehouses in the France Field Area, and containers for re-export are lined up against them. KLA, whose warehouse is located in a corner of this area, receives duty-free products from Japan and re-exports these to Latin American countries. Four Japanese bearing manufacturers had warehouses in the Colón Free Zone 20 years ago, but two withdrew because of the Panamanian political and economic crisis of the late 1980s, and now only two remain.



KLA

### 4. Future Outlook

The amount of cargo handled in the Colón Free Zone reached a peak in 1996 and then decreased by 20% over the next few years because of the economic situation in Brazil. However, it appears that this economic downturn ended in 1999, and the Latin American market is now expanding once again.

In order to take advantage of this economic upswing, KLA is striving to improve its customer service, and at the same time it hopes to contribute to the Panamanian society as much as possible through the hiring of additional local staff and other means.

However, customers are working to hold inventory levels to a minimum, and shipment units are becoming smaller, and KLA must deal with these situations effectively. KLA plans to introduce a bar code system as one means of satisfying customer requirements.

Also, cheap bearings made in Korea, China, Taiwan and other places are gaining popularity in Latin America because many in the region are being forced by the economic situation to consider only the price in bearing selection. KLA must also deal with this situation aggressively

(Contributed by Kazutoshi USUDA,  
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