

# **Panama Canal: When Infrastructure Becomes a Weapon of Power**

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The court ruling against CK Hutchison exposes the U.S.–China strategic confrontation and the limits of Chinese influence

**Panama’s Supreme Court** has annulled the concession contracts for two pivotal ports of the Panama Canal—Balboa on the Pacific side and Cristóbal on the Atlantic—both of which were under the control of Panama Ports Company (PPC), a subsidiary of the Hong Kong–based CK Hutchison group.

The court ruled that the laws under which the port concessions had been granted were unconstitutional, effectively ending decades of Chinese-linked involvement at the gateways of the world’s most strategic maritime route.

The ruling followed an audit by Panama’s Comptroller General, which identified irregularities—primarily concerning the 25-year extension of the concession approved in 2021—and called for its annulment. Panama’s president, José Raúl Mulino, has repeatedly described the contracts as “one-sided” and contrary to the national interest.

Beijing’s response was particularly sharp, both rhetorically and in practical terms. China’s Ministry of Foreign Affairs described the decision as “absolutely unreasonable, shameful, and deplorable,” while Beijing’s office overseeing Hong Kong affairs warned that Panama would pay a “heavy price”. According to Bloomberg, the Chinese government instructed state-owned enterprises to suspend negotiations on new projects in Panama, freezing potential investments worth billions of dollars. At the same time, Beijing reportedly urged Chinese shipping companies to consider rerouting cargo through alternative ports, provided this did not entail additional costs for them.

Meanwhile, Chinese customs authorities intensified inspections of imports from Panama, including products such as bananas and coffee, sending a clear signal that Beijing is prepared to use economic and trade tools as instruments of political pressure. Although ongoing projects

involving Chinese companies have not been officially canceled, uncertainty over their future has become pronounced.

Mulino categorically rejected the Chinese threats, stressing that the Supreme Court's decision is final and that the executive branch does not interfere with the judiciary. As he stated, "there is a fundamental difference between an economy controlled by a central communist party and the democratic institutions that govern Panama."

CK Hutchison, which had managed the two terminals since 1997, has already initiated international arbitration proceedings seeking compensation. The Panamanian government has said it will defend its position, underscoring that the case concerns the rule of law rather than geopolitical pressure.

***The Panama Canal, which connects the Atlantic and Pacific oceans and handles roughly 5 percent of global maritime trade, is a critical geostrategic hub for global supply chains, where economic interests, national security concerns, and great-power rivalries intersect.*** The United States and China are its two largest users, making control over adjacent infrastructure a matter of strategic importance. Washington has repeatedly expressed concern about China's growing presence in Latin America, particularly in ports, telecommunications, and energy infrastructure.

Although the canal's administration is institutionally in the hands of the Panamanian state, control of the ports at its entrances confers indirect power on their operator. Such management involves not only commercial services but also access to critical information, the ability to influence operational efficiency, and symbolic control over a strategic chokepoint.

The case fits into the broader framework of the new U.S. strategy as outlined in the recent National Defense Strategy Report. Within this context, the so-called ***Donroe Doctrine*** (a play on words combining "Don"—from the name of U.S. President Donald—with the historic Monroe Doctrine) treats critical infrastructure not as neutral economic investments but as geostrategic instruments of power. Latin America—and especially sites such as the Panama Canal—has returned to the center of U.S. attention, with the clear aim of curbing Chinese influence in the Western Hemisphere.

Dr. Ioannis Nomikos, an international relations expert and president of the Research Institute for European and American Studies (***RIEAS***), told The Epoch Times that "the Donroe Doctrine signals China's withdrawal from ports and critical infrastructure in Latin America on geostrategic grounds, as highlighted in the National Defense Report published a few weeks earlier". He added that "economic competition between the U.S. and China certainly also plays a role and is expected to become even tougher in the coming decades", as major powers seek not only markets but control over key nodes of global trade.

In the same vein was Panama's decision last year to withdraw from China's Belt and Road Initiative, further curtailing cooperation with Beijing on large-scale infrastructure. Although Chinese state-owned companies continue to participate in certain projects—such as a \$1.4 billion bridge over the canal, a cruise terminal, and sections of the metro—the political climate has shifted markedly.

### **China's Geostrategic Approach and the Role of CK Hutchison**

CK Hutchison's presence in Panama forms part of a broader Chinese model of geoeconomic expansion, in which private or semi-private firms act as vehicles of strategic influence. Although the company is headquartered in Hong Kong rather than mainland China, Western strategic thinking views it as part of China's broader economic ecosystem.

Investment in ports and transport infrastructure is a central pillar of China's strategy: strengthening supply-chain resilience, reducing dependence on sea lanes controlled by Western powers, and expanding political influence through economic interdependence.

The annulment of the concessions undermines this logic, highlighting the limits of geoeconomics when it collides with political and institutional constraints.

### **The Role of the United States and the Security Angle**

For the United States, the Panama Canal remains vital to national security, both historically and strategically. Washington's strong reaction to the Chinese presence reflects a broader shift in U.S. strategy—from economic interdependence to strategic containment.

The U.S. approach to China no longer rests on traditional military deterrence, but on a multilayered framework of geoeconomic and institutional containment aimed at limiting Chinese influence without direct confrontation.

Today, the U.S. accepts that China will remain a central player in international trade, but seeks to prevent critical economic hubs from becoming levers of political or military pressure. Washington acts as a strategic catalyst, reinforcing the narrative that Chinese control of ports, logistics, and infrastructure creates systemic risks for host-country sovereignty. Whether final decisions are taken by courts or governments is secondary. What matters is the reframing of investments as security issues. The presence of Chinese companies in ports on both sides of the canal is viewed by Washington as a potential lever of influence in times of crisis, particularly in scenarios of tension in the Indo-Pacific or over Taiwan. In this context, the Panamanian Supreme Court's decision functions as an institutional mechanism of strategic containment, without direct U.S. intervention.

The Donroe Doctrine complements this logic by arguing that China's presence in critical Latin American infrastructure constitutes not merely an economic issue but a geostrategic risk. From this perspective, the U.S. encourages the review of contracts, countries' withdrawal from the Belt

and Road Initiative, and the transfer of strategic infrastructure—ports, logistics hubs, and telecommunications networks—to “friendly” investment schemes, often through market transactions rather than political coercion.

*As Dr. Nomikos notes, this represents a shift from military to geoeconomic containment, where markets, institutions, and law replace bases and warships. In his analysis, the Panama case shows how U.S.–China economic competition is gradually turning into a contest over infrastructure control, with a time horizon of decades.*

### **Panama as a “Trapped” Middle Power and the Implications for China**

The case highlights the role of small and medium-sized states in a bipolar or multipolar international system. Panama occupies a position of strategic dependence: it benefits economically from Chinese investment, but relies politically and militarily on the United States.

The Supreme Court’s decision can be seen as an effort to reaffirm national sovereignty, provide institutional legitimacy for political choices, and align with the dominant regional power, the United States. It should not be forgotten that the U.S. built the canal, administered it for decades, and shaped its institutional framework. Even after full transfer to Panama in 1999, American influence remained decisive. The U.S. is Panama’s largest trading partner, its main investor, and its primary financial hub. Chinese involvement is significant, but it does not replace America’s economic weight.

At the geopolitical level, the ruling carries multiple implications for China: a strategic loss of influence at a critical global chokepoint; the creation of a precedent that may encourage other countries to review Chinese concessions; constraints on China’s soft power as economic presence is reframed as a security threat; and increased political risk for Chinese investments in pro-Western states.

For China, the episode serves as a reminder that economic power does not automatically translate into durable political influence, particularly in regions deemed vital by rival great powers.

The crisis surrounding the Panama Canal ports shows that U.S.–China competition has entered a new phase. Infrastructure is becoming an instrument of strategic influence, commercial decisions are acquiring geopolitical depth, and smaller states are being forced to balance between competing great-power interests.

*In this new environment, the Panama Canal stands as a mirror of the global power realignment shaping international relations in the 21st century.*