

MP-IDSA *Issue Brief*

Making Sense of President Trump's Rhetoric on Panama Canal

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Summary

President Trump's remarks of the Panama Canal tariff rates being exorbitantly high and “ridiculous” may be a reaction to the recent increases in the tariff rates announced by the Panama Canal authority. Trump's articulations as regards Chinese role in Panama also indicate that the US is feeling insecure with the rise and pre-eminence of China in a country that it considers as her backyard and which was once treated as a protectorate.

US President Donald Trump, in the inaugural address of his second term on 20 January 2025, brought up the issue of taking back the Panama Canal. He stated that it was “foolish” of the US to have transferred the Canal to Panama after building and investing so much in it.¹ Earlier on 21 December 2024, as President Elect, he complained on social media that the US commerce and Navy has been treated in an “unfair and injudicious way” and the transition fee that Panama charges is high to the extent of being “ridiculous”. He added that “It (the Canal) was solely for Panama to manage, not China, or anyone else”.²

In an address on 22 December 2024, he termed the Panama Canal “a vital national asset”. He asserted that the US would demand that the Canal be returned back to her if “both moral and legal” principles “of this magnanimous gesture of giving are not followed”.³ When asked, addressing a press conference as President, he avoided giving assurance for not using force with respect to the Panama Canal.⁴ Later, he has also said that the US is “going to take it back, or something very powerful is going to happen”.⁵ Previously in his first term, during a meeting with Juan Carlos Varela, the then President of Panama on 19 June 2017, Trump had said “The Panama Canal is doing quite well, I think we did a good job building it.”⁶ After that, Trump did not make any public statement on the issue till his December 2024 speech, social media post, and the inaugural address.

Trump’s statements on the Panama Canal highlight three important issues—“exorbitant”⁷ transition fee for using the Panama Canal; influence of China in the Canal region; and Panama allegedly not following the agreed moral and legal principles. Presidential inaugural addresses underline broad policy statements for the next four years. In this context, this brief attempts to analyse the motivations, intent and practical dimensions of the Panama Canal issue raked up by President Trump.

A Brief History of Canal’s Construction

With settler areas expanding in the north-western parts of the US and a trans-isthmus railroad completed in 1855,⁸ various parties including the UK were

¹ Presidential Opening Speech by Trump, 20 January 2025.

² [“Trump Threatens to Take Back Control of Panama Canal Over ‘Ridiculous Fees’”](#), *Al Jazeera*, 22 December 2024.

³ Gram Slattery, [“Trump Threatens to Retake Control of Panama Canal”](#), *Reuters*, 23 December 2024.

⁴ Katherine Doyle and Vaughn Hillyard, [“Trump Suggests He Could Use Military Force to Acquire Panama Canal and Greenland and ‘Economic Force’ to Annex Canada”](#), *NBC News*, 7 January 2025.

⁵ Samantha Waldenberg, [“Trump Reiterates Threat to Retake Panama Canal ‘Or Something Very Powerful’ Will Happen”](#), *CNN World*, 2 February 2025.

⁶ Ashley Hoffman, [“The Internet Can’t Get Over President Trump’s Panama Canal Comment”](#), *Time*, 20 June 2017.

⁷ [“Trump-Panama Tiff Highlights Rising Transit Cost”](#), *Argus*, 24 December 2024.

⁸ [“U.S. Agrees to Transfer Panama Canal to Panama”](#), *History*, 7 September 2024.

interested to scale-up the connection through a canal. Although US, in 1850, had signed the Clayton-Bulwer Treaty with UK for joint undertaking on any canal linking the Atlantic and the Pacific oceans through Central America, nothing materialised until the concession for construction was given by Colombia (Panama Isthmus was part of Colombia then) to Ferdinand de Lesseps, the French diplomat and developer who had completed the Suez Canal in 1869. Work started in 1881 but Lesseps’ company turned bankrupt due to engineering miscalculations, mismanagement and the difficulties of construction (Malaria, Yellow Fever, Terrain and Geology) in 1889.⁹

With acquisition of overseas colonies after the war with Spain in 1898, the US military and economic interests raised US’ urgency for construction of the trans-isthmian canal. After renegotiation with the UK, the US replaced the Clayton-Bulwer treaty with Pauncefote Treaty in December 1901, giving exclusive charge of the construction and control of a trans-isthmus canal in Central America, which the Americans originally conceptualised for Nicaragua.¹⁰ Phillipe Bunau-Varilla, former chief engineer of the company, lobbied and convinced a highly skeptical US Congress to approve the Panama route over the long time favoured Nicaraguan since 1876.¹¹ John Hay, US Secretary of State, signed an agreement with Tomás Herrán, Colombia’s representative in Washington, in January 1903 promising Colombia a one-time payment of US\$ 10 million, an annual payment of US\$ 250,000 in return of the US controlling 10 km wide “Canal Zone in Panama”¹² during a lease of 100 years.¹³

But the treaty was rejected by Colombia as her leadership found it violating the country’s sovereignty and offering inadequate compensation. An angered US then supported a ‘revolution’ in Panama sending a naval ship on pretext of protecting American lives in the railroad zone.¹⁴ The rebels declared Panama an independent country on 3 November 1903 as the US deterred Colombian troops to respond, and quickly recognised the new born country on 6 November 1903.¹⁵ The leader of the revolution, although reluctantly, appointed Phillipe Bunau-Varilla immediately the Envoy Extraordinary and Minister Plenipotentiary to negotiate a Canal treaty.¹⁶ Varilla had exacted this appointment in lieu of his efforts to secure US support to the ‘revolution’.

⁹ [“Corruption on the Panama Canal”](#), *Financial Pipeline*, 11 January 2022.

¹⁰ [“The Hay-Pauncefote Treaty”](#), Theodore Roosevelt Center, 4 February 2025.

¹¹ George J.B. Fisher, [“Bunau-Varilla, Protagonist of Panama”](#), *United States Naval Institute Proceedings*, Vol. 59, No. 9, 1933, p. 367.

¹² [“The Hay-Herran Treaty”](#), Theodore Roosevelt Center, 6 February 2025.

¹³ E.L. Roy Hunt, “The Panama Canal Treaties: Past, Present, Future”, *Florida Law Review*, Vol. 18, No. 3, 1965, pp. 401–402.

¹⁴ [“The Hay-Herran Treaty”](#), no.12.

¹⁵ [“A Guide to the United States’ History of Recognition, Diplomatic, and Consular Relations, By Country, Since 1776: Panama”](#), Office of the Historian, Department of State, USA.

¹⁶ [“The Hay-Herran Treaty”](#), no. 12.

The treaty Varilla concluded improved on the Hay-Herrán terms in favour of the US by giving her sovereign control of the future Canal and the 10 miles wide Canal Zone (instead of 10 kilometers), now for “perpetuity”. Although Hay-Bunau-Varilla treaty guaranteed neutrality of the Canal and independence of Panama, for Panamanians it was a betrayal of the fledgling state by Bunau-Varilla. It rendered Panama a ‘protectorate’ of the US at the cost of its sovereign rights even outside the Canal Zone, granting the US for perpetuity:

...the use, occupation and control of any other lands and waters outside of the zone...which may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said Canal or of any auxiliary canals or other works necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said enterprise. [Article II]

The US also acquired a “monopoly for the construction, maintenance and operation of any system of communication by means of canal or railroad across its territory between the Caribbean Sea and the Pacific Ocean”. In case of a conflict arising between the rights of Panama and the US over a public road passing through the Canal Zone, superiority was granted to the US rights. To the chagrin of Panama patriots, it extended US rights to enforce her “sanitary ordinances” and public order in the Capital City and Colon if in her judgement Panama was unable to maintain such order.

These are a few controversial provisions that would never have been accepted in absence of the designs for Panama ‘revolution’, a pop-up for achieving US interests and dominance in the region. Although Bunau-Varilla took all the credit for drafting the Treaty “from the first line to the last”, archival research reveals a different story.¹⁷ Senator Hernando DeSoto Money assessed, “...we have never had a concession so extraordinary in its character as this. In fact, it sounds very much as if we wrote it ourselves.”¹⁸ The documents, circumstances and the pace at which the Treaty was signed and ratified,¹⁹ point towards then President Theodore Roosevelt and Secretary Hay keeping a measured silence on the origins of the draft to let Bunau-Varilla’s lie prevail and downplay and deflect most of the Panamanian criticism.

The US ran sanitisation programme against malaria and yellow fever in the Canal Zone and completed the construction in 1914. Even before the railways, the two oceans were connected by traditional means of transport, and communities facilitating logistics, transportation and trans-isthmian trade, were settled in the

¹⁷ John Major, “Who Wrote the Hay-Bunau-Varilla Convention?”, *Diplomatic History*, Vol. 8, No. 2, 1984, pp.115–123.

¹⁸ Ibid.

¹⁹ George J.B. Fisher, “[Bunau-Varilla, Protagonist of Panama](#)”, no. 11.

region for centuries.²⁰ The construction involved their displacement and deaths of thousands of workers due to various diseases.

The Transfer to Panama

The seeds of unrest within the text of the Treaty grew into active hate and resistance by Panama nationalists. Panamanians wanted more equitable conditions from the treaty, and the 1936, 1942 and 1955 negotiations and adjustments on the treaty reflect regular discontents and issues between the two sides.²¹ The nature and imbalance of the treaty did not change, however. It became difficult for the US to sustain control in a changing regional and international scenario with rising sentiments against imperialism and colonisation in the sixth and seventh decades of 20th century. The US concessions for perpetuity were shortened by the realities and sentiments of time, so much so that she transferred the Canal to Panama through the two Torrijos-Carter Treaties signed in 1977.

The handing over back of the Canal to Panama was no act of magnanimity as the US had been feeling the pinch for a long time, especially after the end of the Second World War. Various economic, political and strategic reasons led to the decision of the transfer, although it was difficult with divided opinion within the US.²² The canal was not as profitable as it was thought to be, and the most profitable decades were the 1920s and 1930s. In fact, the Canal proved a profitable route for Japan to export its products and successfully compete with the US in the 1970s.²³

The terms of Hay-Bunau-Varilla Treaty did not prosper Panamanians as per their expectations. The Panama Government often complained to the US authorities that the Panamanians working in the Canal Zone were being discriminated against in terms of compensation and treatment by the US authorities and the Zonians [US citizens who were living in the Zone with special government facilities]. People of Panama were not allowed in the Zone if they did not work there. The presence of the US military provoked the Panamanians to think as if they were US subordinates living under military threat all the time.

Nationalists wanted dignity for Panama and Panamanians as they demanded their flag to be hoisted along with the US flags in the Zone, but the Zonians were adamantly against it. The US Government, however, wanted to settle the issue by allowing limited concessions, but the recalcitrant denial by Zonians led to riots

²⁰ [“U.S. Agrees To Transfer Panama Canal To Panama”](#), no. 8.

²¹ [“The Panama Canal: Riots, Treaties, Elections, and a Little Military Madness, 1959–1973”](#), *National Archives*.

²² George J.B. Fisher, [“Bunau-Varilla, Protagonist of Panama”](#), no. 11.

²³ Dave Roos, [“Why the US Returned the Panama Canal”](#), *History*, 28 January 2025.

between the US and Panama citizens in 1959 and 1964.²⁴ The latter is better known for its scale and use of military to make peace after more than 20 Panamanians were killed and hundreds injured.²⁵ Diplomatic ties between the two countries were also severed for the only time in the post-independence history of Panama.

The Zonians were also not appreciated by the US administration for their insistence on the maintenance of the status quo with privileges and a government-run life. They were obstructions to the diplomatic overtures and concessions that the US government wanted to make to placate the Panamanians.²⁶ Cold war strategic considerations had played a major role for the US holding on the Canal post the Second World War. After the riots, from President Lyndon Johnson (democrat) to Gerald Ford (republican), several drafts were negotiated which were never ratified as it had become a contentious political and electoral issue, especially for Panama.

This was a moment when the US also wanted to be seen at the right side of the history of decolonisation if there was not much to lose by the exchequer and her strategic interests were protected. President Jimmy Carter, although with difficulty, was able to overcome the internal political opposition in the US and signed the treaties to transfer the Canal to Panama for which the processes began in October 1979.²⁷ Sovereign rights over the Canal Zone were given up by the US and the treaty had elaborate administrative provisions for gradual transfer of the rights over Canal, its administration, operation, together with required capability building arrangements for Panamanians to take full charge ending the transition by 1999. The US military also withdrew from Panama with its strategic interests secured through the Treaty Concerning The Permanent Neutrality and Operation of the Panama Canal.

The Issue of “Ridiculous” and “Exorbitant” Fee

The tariff imposed on the ships transiting through Panama Canal is nation-blind and depends on the type of ships and tonnage of goods that they carry. So, there can be no “unfair” imposition of transit tariff on ships of any country. The tariff for transit Canals—Panama and Suez—have been increasing in general pertaining to climate

²⁴ [“The Panama Canal: Riots, Treaties, Elections, and a Little Military Madness, 1959–1973”](#), no. 21.

²⁵ Elida Moreno, [“As Panama Remembers Bloody Past, A Message for Trump: The Canal is Ours”](#), *Reuters*, 10 January 2025; see also [“The Panama Riots of 1964: The Beginning of the End for the Canal”](#), Association of Diplomatic Studies and Training; [“The Panama Canal: Riots, Treaties, Elections, and a Little Military Madness, 1959–1973”](#), no. 21.

²⁶ [“The Panama Canal: Riots, Treaties, Elections, and a Little Military Madness, 1959–1973”](#), no. 21.

²⁷ The two treaties—The Panama Canal Treaty & Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal—were signed between US President Jimmy Carter and Omar Efraim Torrijos Herrera, the Head of Government, The Republic of Panama on 7 September 1977. The Panamanian leader was a dictator heading the government with self-imposed titles.

and geopolitical disruptions.²⁸ Panama Canal is facing an unprecedented drought situation leading to less availability of water for navigation which has resulted in an average decline in the number of daily transits as well.²⁹ President Trump’s remark of the tariff rates being exorbitantly high and “ridiculous” may be a reaction to the recent increases in the tariff rates announced by the Panama Canal authority. Any change in transit tariff impacts US the most for it has the largest share of incoming and outgoing cargo through the Canal.³⁰

The annual revenue from the Panama Canal operation declared at the end of financial year 2024 was US\$ 4.99 billion,³¹ which is negligible as compared to the US economic might. Even if the US would have contributed the whole of this, it was not something economically so significant to her that she put at stake her image, reputation and relations with Panama. Almost 40 per cent of all US container traffic worth around US\$ 270 billion passes through the Canal annually, making it strategically extremely important for the country.³² But the financial toll, in relation to the worth and size of the cargo transited, is rational and justifiable when compared to other transit routes and conditions.

China and the Panama Canal

Being the largest exporter of manufactured goods in the world, Chinese footprints in any global maritime transit including the Panama Canal is not surprising. The country happens to be the second-largest user of the Panama Canal, only after the US as it accounted for 21.4 per cent of the goods volume transiting from the Canal between October 2023 and September 2024.³³ However, her rapid economic and political ascendancy in the political arena in a region to which the US is sensitive has induced a securitised response from the US administration. President Elect Trump, in one of his social media posts on 25 December 2024, had claimed that China was “operating the Panama Canal”. He also referred to the Chinese soldiers’ illegal involvement in the operation.³⁴

²⁸ [“The Panama Canal Introduces Modifications to the Transit Reservation System Tariffs”](#), *Canal De Panamá*, 28 August 2024; [“Suez Canal Authority to Increase Transit Fees by 5-15% from 2024”](#), INCHCAPE Shipping Services, 18 October 2023.

²⁹ [“Trump-Panama Tiff Highlights Rising Transit Cost”](#), no. 7. See also [“Panama Canal vs. Suez Canal: Global Shipping Insights”](#), *Ascent*, 22 January 2024.

³⁰ [“Trump-Panama Tiff Highlights Rising Transit Cost”](#), no. 7.

³¹ [“Panama Canal Presents Financial Results for FY24 With a Focus on Sustainability and the Future”](#), *Canal De Panamá*, 25 October 2024.

³² Lori Ann LaRocco, [“U.S. Trade Dominates Panama Canal Traffic. New Restrictions Due to ‘Severe’ Drought are Threatening the Future of the Shipping Route”](#), *CNBC*, 24 June 2023.

³³ Shawn Yuan, [“Does China ‘Operate’ Panama Canal, As Trump Says?”](#), *BBC World Service*, 23 January 2025.

³⁴ *Ibid.*

Two important ports—Cristóbal and Balboa—at the two ends of the canal joining the Atlantic and the Pacific oceans, are being operated by the Panama Ports Company which is a part of Hutchison Ports, a subsidiary of the Hong Kong based company CK Hutchison Holdings Ltd. The company (named as Hutchinson-Whampoa then) got the contract in the year 1996 to run the port on behalf of the Government of Panama. It has been operating the ports since then and the contract was extended for another 25 years in 2021.³⁵ The US government had no problem with the contract given to a Hong Kong based company as it said that the concession did not represent a “threat to the Canal”. The US Government, in a factsheet, clarified:

Several entities of the U.S. Government, including the Federal Maritime Commission and the staff of the Senate Foreign Relations Committee, have researched this issue extensively and have not uncovered any evidence to support a conclusion that the People's Republic of China will be in a position to control Canal operations.³⁶

However, given the recent developments in Sino-US relations as well as political and institutional developments in Hong Kong adversely affecting its autonomy, the opinion, in US administration in general and under the Trump administration in particular, has changed. Panama’s over the board welcome to Chinese proposals, investments and political-cultural engagements manifesting in the country breaking its diplomatic ties with Taiwan to establish diplomatic ties with the People’s Republic of China (PRC) and being the first Latin American country to join Chinese Belt and Road Initiative (BRI) in 2017, alarmed the US. This had synced with the Chinese taking control of the Margarita Island port only a week before. The country, in 2018, also became host to a Confucius Centre, promoting Chinese culture and soft power. The developments in the current geopolitical scenario, from the US perspective, are classic applications of the Chinese toolkit for ‘Influence Operations’ abroad, aiming to “render political processes of other states more friendly to Beijing’s interest”³⁷ and contest US hegemony in the region and around the globe.

Approvals to Chinese proposals to build its embassy at the gates of the Canal, construction of a fourth bridge over the Canal costing US\$ 1.4 billion, and a US\$ 4 billion high-speed railway linking Panama City to David were given at an unprecedented speed. President Juan Carlos Varela of Panama even termed the proposed 4th bridge over the Canal as the “fifth most important infrastructure project in the entire history of the country”.³⁸

³⁵ Helen Davidson, [**“Trump Says China is ‘Operating’ The Panama Canal – Here are the Facts”**](#), *The Guardian*, 23 January 2025.

³⁶ [**“Frequently Asked Questions About the Panama Canal”**](#), US Department of State, 8 December 1999.

³⁷ Xuan W. Tay, [**“Chinese Influence Operations Under International Law”**](#), US-Asia Law Institute, 12 November 2024.

³⁸ Daniel F. Runde and Amy Doring, [**“Key Decision Point Coming for The Panama Canal”**](#), Centre for Strategic & International Studies, 21 May 2021.

The controversial telecom company Huawei for its alleged connections with Chinese intelligence was welcomed in the Colon Free Trade Zone, and President Varela credited the company’s centre for consolidating Panama as the “commercial arm” of China in the region.³⁹ However, several of the project proposals have been controversial, facing opposition and scrutiny. The embassy by the Canal as well as the speed-rail projects had to be dropped, as they were seen as extravagant. The Panama Canal Container Port (PCCP) project on Margarita Island and 4th bridge projects were investigated for irregularities. The control of the project, after construction by state-owned China Communications Construction Company (CCCC), now stands transferred to the Notarc Management Group of the Bahamas from the Chinese Landbridge Group.⁴⁰ Although stalled and investigated initially, the work at the 4th Panama Canal Bridge has also been resumed by a consortium of the China Communications Construction Company (CCCC) and China Harbour Engineering Company (CHEC).⁴¹

In October 2023, Panama faced the largest public protests in decades over a 20-year extension of the contract for mining Cobre Panama, the largest-open pit copper mine in the Central American Region. This happened despite the Panamanian Supreme Court declaring the previous contract with the First Quantum Minerals (signed in 1997) unconstitutional as well as allegations by various groups for the government repeating the same errors in the new contract.⁴² This may be noted that the Chinese state owned Jianxi Copper Co. Ltd., which has stakes since 2019,⁴³ now is the largest shareholder (18.47 per cent) in First Quantum Minerals, the company that held the copper mining contract.⁴⁴ The new contract was also declared unconstitutional by the Panamanian Supreme Court and the mine was closed.⁴⁵ Amid these developments, there are floating opinions that the Chinese stakeholder’s influence had worked for the First Quantum’s contract extension despite issues with respect to transparency, constitutionality and environmental impact studies.

The meteoric rise of Chinese influence in Panama since 2017 has raised several questions regarding the intent and transparency of Chinese operations in Panama. Although the diplomatic buoyancy and momentum between China and Panama took a hit with the stalling, cancellation and investigations of several signed contracts and

³⁹ Sabina Nicholls, [“Panama: China’s Strategic Hub”](#), *Diálogo Américas*, 29 March 2024.

⁴⁰ Michele Labrut, [“MSC to Operate Future 2.5m teu Panama Box Terminal”](#), *Seatrade Maritime News*, 20 May 2022.

⁴¹ Julieta Pelcastre, [“China to Proceed With Fourth Bridge Over Panama Canal”](#), *Diálogo Américas*, 15 June 2023.

⁴² Sabina Nicholls, [“Panama: China’s Strategic Hub”](#), no. 39.

⁴³ Jonathan Brown, [“First Quantum Minerals and Jiangxi Copper Reach Shareholder Agreement”](#), *Stockhouse*, 24 July 2024.

⁴⁴ [“Major Shareholders: First Quantum Minerals Ltd.”](#), *Market Screener*, 29 January 2025.

⁴⁵ Vanessa Buschschlüter, [“Cobre Panamá: Panama Orders Controversial Copper Mine's Closure”](#), *BBC News*, 29 November 2023. See also [“Cobre Panama: How a \\$10 billion Copper Mine is Now Sitting Idle in the Jungle”](#), *Mining.com*, 16 April 2024.

projects proposed, it only appears to have acquired an actual sustainable tone and pace. The Chinese companies are operating important ports and business with their own human resources. They have, to the ire of the US, many critical dual use information. After the visit of the US Secretary of State Marco Rubio, Panama announced that it will not “renew” the Belt and Road agreement with China. The agreement is due to be renewed in a couple of years. However, President of Panama José Raúl Mulino said that his country would “study the possibility of terminating it early”.⁴⁶ An audit of the Chinese operators of the ports at the two ends of the Canal has also been announced for an “exhaustive” review to “guarantee the efficient and transparent use of public resources”.⁴⁷ The Panama Government has also denied any presence of Chinese soldiers on her land.⁴⁸

Is Panama Violating Agreed Moral and Legal Principles?

Given the circumstances in which the US got concessions for constructing the Canal as well as the terms of Hay-Bunau-Varilla treaty, it is ironic that President Trump is referring to violation of moral principles agreed upon with reference to Panama. However, the principle that was agreed upon between the two sides was the principle of the Canal’s “permanent neutrality” with respect to passage of merchant and naval vessels for all nations. Panama also had tacitly agreed to protect US strategic interests as Article V of the treaty states, “...only the Republic of Panama shall operate the Canal and maintain military forces, defence sites and military installations within its national territory”. As the use of the Canal and imposition of tariff is nation-blind, and no foreign or Chinese soldiers are officially stationed in Panama, none of these agreed principles have been technically violated by Panama. However, President Trump’s allegations may also be seen from the perspective of practical considerations for intelligence activities that China is suspected of worldwide.

Conclusion

Trump’s allegations are difficult if not impossible to be proven legally, as Panama, a sovereign state, may award concessions and contracts at its judgement and will, to any agency. The primary cause for the issue appears to be more political and strategic than economic, legal or anything moral. The tariff dimension of the Canal is being overplayed by Trump as the amount involved is insignificant as compared to

⁴⁶ [“Won’t Renew Belt and Road Deal With China, Says Panama President Amid US Pressure”](#), *The Economic Times*, 3 February 2025.

⁴⁷ Michael McDonald, Shirley Zhao and Bloomberg, [“Panama Opens Audit of Chinese Port Operator While Trump Threatens to Take Canal Back”](#), *Fortune*, 21 January 2025.

⁴⁸ Mike Wendling, [“Panama’s President Calls Trump’s Chinese Canal Claim Nonsense”](#), *BBC*, 27 December 2024.

the intended savings from his targets of tariff imposition—China, Mexico, Canada and India. However, any US-specific preferential tampering with transit tariff rates is easier said than done, as it would violate the Canal’s neutrality and open up a Pandora’s Box for all who use it.

With or without sovereign control over the Canal, its neutrality is the best strategic option in context of the US’ international relations. This underlines the secondary value of the tariff argument forwarded by Trump. Given the legal and political implications of violating neutrality, the economic argument appears more of a rhetoric rather than reality. This ultimately suggests US’ hegemonic insecurity with respect to Panama’s key role in the emergence of China in Latin America as the central motivation for Trump’s rhetoric. Trump considers the Canal’s neutrality, although not legally but in substance, already compromised in favour of China.

The reactions and adjustments of Panama to Trump’s charges are visibly related to investigating, regulating and reducing the Chinese presence in the country. The shrill in Trump’s articulations indicate that the US which once felt assured of her security and economic might is feeling insecure with the rise and preeminence of China in a country that she considers as her backyard and which was once treated as a protectorate. Therefore, the challenge for Panama is to placate the US keeping the neutral status of the Canal and her sovereignty intact. Trump’s “something very powerful” may not mean use of military force but could also imply pressurising Panama to agree to another treaty establishing pre-1977-like US pre-eminence in the country.

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