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The Geostrategic and Geopolitical Relevance of the Panama Canal

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Abstract:

The Panama Canal is a key piece of infrastructure for world trade, connecting two oceans and sustaining global supply chains. It retains its strategic value amid geopolitical rivalry between the United States and China, with Latin America as a strategic arena, trade fragmentation and the vulnerability of maritime routes. The Canal handles up to 6% of global maritime trade and generates substantial revenue for Panama's economy. The recent reconfiguration of routes, driven by the conflicts in Ukraine and the Middle East and the closure of the Strait of Hormuz, has heightened the importance of secure corridors such as the Canal, whose permanent neutrality, underpinned by the Torrijos-Carter Treaties, protects Panamanian sovereignty and international confidence. Panama must leverage the Canal to diversify and modernise its economy, strengthening water security, infrastructure, digitalisation, sustainability and knowledge-intensive sectors. The Canal remains irreplaceable and decisive in both economic and geopolitical terms.

Keywords:

Panama Canal; geopolitics; maritime trade; neutrality; US-China rivalry.

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Prologue[1]

For more than a century, the Panama Canal has been one of the fundamental pillars of international trade and an eloquent symbol of our country's capacity to contribute decisively to global stability and economic development. In an increasingly interconnected world that is, at the same time, marked by strategic rivalries, geopolitical tensions and disruptions to supply chains, the geostrategic and geopolitical relevance of the Canal assumes even greater importance.

This document, prepared with notable rigour by Professor and analyst Ramón Casilda Béjar, offers a thorough, timely and balanced analysis of the role of the Panama Canal in the current international landscape, as well as of the challenges and opportunities that Panama faces amid competition between the great powers.

The Canal is not merely an exceptional feat of engineering; it is a global public good that channels between five and six per cent of world maritime trade and a decisive share of the trade of the United States and Latin America. Its efficient, predictable and neutral operation is essential to the stability of markets, to food, energy and industrial security, and to the competitiveness of the economies that depend on maritime transport. As a sovereign state and the exclusive administrator of the interoceanic waterway since 1999, Panama has assumed this historic responsibility with professionalism, a long-term vision and strict compliance with the international legal framework that stems from the Torrijos-Carter Treaties and the principle of permanent neutrality.

The analysis presented here makes it possible to understand clearly how the Panama Canal is now at the centre of a complex geopolitical dynamic, particularly within the strategic competition between the United States and China. Investment in port infrastructure, the reorganisation of global logistics routes and the emergence of alternative projects in the region shape an environment in which Panama must act with prudence, institutional firmness and a commitment to balance. Our country has been clear and consistent: the Canal is neither an instrument of geopolitical confrontation nor an asset subject to negotiation between powers, but an international waterway at the service

[1] Héctor Ernesto Infante De Sedas. Ambassador of the Republic of Panama to the Kingdom of Spain.

of humanity, administered according to technical, commercial and strictly neutral criteria.

Under the leadership of President José Raúl Mulino, Panama has resolutely reaffirmed its commitment to the neutrality of the Canal as the best and only guarantee against any threat, whether specific or global. This commitment translates into strengthening the institutional capacity of the Panama Canal Authority, into the permanent modernisation of its infrastructure, into international cooperation on security and into the unequivocal defence of national sovereignty. The predictability of the Canal regime is, as this document rightly notes, a key element for the confidence of the international maritime community and for avoiding adverse effects on logistics costs, insurance and investment decisions.

From the perspective of Panama and its relations with strategic partners such as Spain and the European Union, the Canal also represents a platform of opportunities. Its role as a logistics hub between the Americas, Asia and Europe reinforces the country's geopolitical value, enhances its appeal as a centre for investment and services, and consolidates its standing as a reliable, stable partner committed to the principles of multilateralism, the rule of law and international cooperation. In this sense, the Canal channels not only trade flows but also trust, dialogue and understanding between regions.

This document invites calm, well-founded reflection on the centrality of the Panama Canal in the twenty-first century. Reading it is essential to understanding not only the balances of power that revolve around this interoceanic waterway, but also Panama's historic responsibility to preserve its neutrality, its legal certainty and its commitment to global service. That has been, is and will continue to be Panama's contribution to world trade and to international stability.

General introduction

As critical infrastructure for international trade, the Panama Canal is one of the most relevant strategic assets for global maritime commerce. Its importance goes beyond the purely logistical dimension of connecting oceans, reducing transport times and costs, sustaining essential supply chains and bringing stability to markets in an international context marked by rivalry between the two great powers, the United States and China, by the fragmentation of trade and by the critical vulnerability of the main maritime bottlenecks. In this setting, far from losing centrality, the Canal has reinforced its strategic value.

From an economic standpoint, the Canal remains one of the structural pillars of the Panamanian model. Approximately five to six per cent of world maritime trade passes through it; it links more than 1,900 ports in 170 countries and is especially relevant for the United States and for numerous Latin American economies. In fiscal year 2025 it recorded 13,404 transits and revenue of US$5,705 million, while its cumulative contributions to the Panamanian State exceed US$31,000 million since the administration of the Canal was transferred to Panama in 1999. To this must be added the multiplier effect of the logistics, port, financial and services cluster, which significantly broadens its impact on growth, employment and national competitiveness.

The Canal's relevance has also been heightened by the recent reconfiguration of global maritime routes. The war in Ukraine, instability in the Middle East and the crisis linked to the Strait of Hormuz have increased the value of secure, efficient and politically stable routes. In this context, Panama is consolidating its position as a highly reliable node. The Canal makes it possible to save from several days to as much as two weeks on certain voyages, especially for energy transport between the United States and Asia, and it becomes a guarantee of logistical continuity when other routes suffer diversions, cost overruns or operational disruptions.

This economic and logistical centrality has increasingly evident geopolitical implications. Today the Canal lies in one of the most sensitive areas of competition between the United States and China. For Washington, the interoceanic waterway and the infrastructure surrounding it form part of a strategic perimeter that is essential to its economic, commercial and maritime security. For Beijing, Panama and its logistics ecosystem fit into a broader strategy of global connectivity, commercial expansion and positioning at decisive maritime nodes, in line with the Belt and Road Initiative (BRI) announced by President Xi Jinping in 2013. Panama was the first Central American country to join, in November 2017, under President Juan Carlos Varela.[2]

[2] The Belt and Road Initiative is regarded as a central pillar of China's foreign policy. It proposes a new concept for international relations based on the idea of "negotiating, building and sharing together", grounded in free trade between nations and aimed at creating an order of prosperity and stability, modelled on the relations established between East and West in the era of the historic Silk Road. It is a massive infrastructure-investment project intended to improve connectivity, trade and communication across Eurasia, Latin America and Africa, and ports are among its infrastructure projects. China stresses that the BRI seeks to enhance economic connections and collaboration in the target regions, although many Western countries view it as a strategy to expand China's economic and political influence worldwide.

China's presence at the Panama Canal forms part of its regional strategy. This is the view taken by the report of the Center for Strategic and International Studies (CSIS), "No Safe Harbor: Assessing the Risks of China's Port Projects in Latin America and the Caribbean"[3], which notes that the logistics map is changing markedly owing to China's extensive and intense presence in port infrastructure throughout the region, double what it was just five years ago. For the United States, this situation represents a national-security threat. It has escalated significantly in 2025 and 2026 under the administration of Donald Trump, which is greatly concerned about strategic control of the Panama Canal and of port infrastructure, as will be shown.

The Canal has thus become a point of friction where economic and geopolitical interests, the projection of power and influence over critical infrastructure converge. To date, one of the most sensitive elements in this dispute is the presence of Chinese capital in port infrastructure linked to the Canal, particularly in strategic terminals such as Balboa and Cristóbal. This reality has intensified US pressure on Panama and reinforced the perception that competition for regional influence is no longer confined to the diplomatic or commercial sphere, but extends to the control of ports, concessions, logistics corridors and global supply chains. To this are added regional projects such as the Chancay mega-port in Peru and the Central Bi-Oceanic Railway Corridor, discussed further below, which could alter the South American logistics architecture and reconfigure trans-Pacific trade flows by connecting the port of Chancay on the Pacific with the port of Santos on the Atlantic, crossing Peru, Bolivia and Brazil. The corridor addresses something basic that the region has long sought: to connect the Pacific directly with the Atlantic in order to reduce times and logistics costs for trade with Asia.

In this context, the permanent neutrality of the Canal is the principal foundation of its legitimacy and international stability. The Torrijos-Carter Treaties[4], signed at the headquarters of the Organization of American States on 7 September 1977, marked a milestone in Panama's history by establishing the gradual elimination of the US presence and the transfer of the interoceanic waterway, setting up a legal framework that guarantees the neutral, open and non-discriminatory operation of the route. That principle

It is also a powerful economic instrument: China has lent more than one trillion dollars to developing countries and has become one of their largest creditors.

[3] https://features.csis.org/no-safe-harbor-china-ports/

[4] https://pancanal.com/tratados-torrijos-carter/

remains the best instrument for protecting Panamanian sovereignty against attempts at geopolitical instrumentalisation. Neutrality not only preserves the international community's confidence in the Canal but also makes it possible to affirm that its primary function must remain that of a global service administered by Panama on sovereign, legal, technical and commercial criteria, and not that of a piece subordinate to the logic of confrontation between powers.

The institutional and legal evolution reinforces this sovereign dimension. In particular, the decision of the Supreme Court of Justice of Panama declared unconstitutional the contract and its amendments with Panama Ports Company (PPC)[5], the operator of the ports of Balboa and Cristóbal. This final ruling reinforces national sovereignty by annulling the 28-year concession, which has generated legal uncertainty, possible compensation claims and international reactions from China, in a case of high institutional impact and geopolitical reach.

This resolution not only corrects accumulated imbalances but also opens up the possibility of redefining the port model in terms more consistent with the national interest, transparency and the country's strategic autonomy. At the same time, this process is unfolding in an environment of high international sensitivity, with litigation, arbitration and cross-cutting pressures that compel Panama to act with institutional firmness and a long-term vision.

Beyond the immediate situation, the strategic challenge consists of harnessing the strength of the Canal to drive a broader transformation of the development model. Panama cannot confine itself to administering a geographical rent; it must turn that advantage into an economic platform of greater added value. To that end, water security, the modernisation of infrastructure, port expansion, logistics digitalisation, the decarbonisation of maritime transit and the development of new knowledge-intensive activities are priorities. Projects such as the Río Indio reservoir, new ports, energy corridors and complementary logistics platforms should be understood as part of a national strategy aimed at reinforcing the Canal's competitiveness while diversifying the

[5] Panama Ports Company is in the process of being sold following an agreement announced in March 2025. The US consortium led by BlackRock (comprising BlackRock Inc., Global Infrastructure Partners and Terminal Investment Ltd.) agreed to acquire 90% of the shares, replacing the Hong Kong conglomerate CK Hutchison Holdings, pending final approval by the Government of Panama. The transaction, acquiring 90% of the shares, valued at approximately US$22,800 million, covers the strategic ports of Balboa and Cristóbal and would shift control from a Hong Kong firm to a US one.

country's productive base.

Panama's future therefore depends on its capacity to consolidate a model in which logistics, technology, innovation, sustainability and talent are articulated around its main strategic asset. The Canal will remain the axis of that projection, but its true potential lies in serving as a lever for a more sophisticated, resilient and competitive economy. Sectors such as microelectronics, biotechnology, the digitalisation of services and advanced services can form part of that new stage if an institutional, regulatory and training environment is built to match that ambition.

In sum, the Panama Canal remains an irreplaceable piece of infrastructure, a global public good and the country's main strategic asset. Its economic relevance continues to be extraordinary, but its current value is also profoundly geopolitical: it sits at the intersection of the rivalry between the United States and China, the reorganisation of maritime routes and the dispute over control of critical infrastructure. Faced with this scenario, preserving Panama's sovereignty, neutrality and institutional strength will be decisive in ensuring that the Canal continues to be both a factor of international stability and the basis for a sustained national development strategy.

The Panama Canal

The Panama Canal, a historic milestone for world navigation, has reshaped international trade since it opened on 15 August 1914. Built by the United States, which operated it until 31 December 1999, the date on which it was handed over to the Panamanian State, the Canal is an 82-kilometre interoceanic waterway that joins the Atlantic Ocean with the Pacific and connects 180 maritime routes reaching 1,920 ports in 170 countries around the world.

The Canal's central position within the vast maritime-logistics conglomerate operates as a genuine system whose elements are deeply interconnected with the country's economy and with international maritime trade. It is therefore not only a key piece of infrastructure for the passage of the world fleet, but it also fosters the development of a wide range of services and industries directly linked to transits and toll collection, as well as others associated with port activity and services to ships and cargo.

These activities have favoured the growth of other branches of the economy, such as the tourism industry, the consolidation of free-trade zones, the strengthening of the

Panamanian financial centre, the international registry of vessels and the boom in various logistics services. The Canal thus acts as a catalyst for a diversified economic ecosystem that extends well beyond its original function as an interoceanic waterway.

In the context of global trade, where approximately 80% of international exchanges take place by maritime transport, the Canal stands as a fundamental route connecting production centres with consumer markets worldwide. Its existence provides clear competitive advantages by facilitating significant savings and generating economies of scale for the companies that depend on this strategic waterway.

The Maritime Chamber of Panama highlights the strategic role of the Canal, whose influence spans both economic development and social well-being, making it an essential element within the national maritime vision for the period 2024-2029. The future of the Panamanian maritime sector depends largely on giving priority attention to the strategic aspects that guarantee operational continuity, environmental sustainability and the Canal's competitiveness in the face of international challenges.[6]

The Canal is a fundamental pillar for the country. Its contribution to GDP, including direct, indirect and induced effects, represents approximately 7.7%. Its broader impact, however, including the logistics, port, banking and associated services cluster, reaches, according to various estimates, as much as 30% or even 45% of GDP. According to the National Institute of Statistics and Census (INEC) of the Office of the Comptroller General, the Panamanian economy grew by 4.4% in 2025, compared with 2.7% in 2024, driven mainly by the transport sector (+14.5%), with the Canal standing out as its toll revenue rose by 22%. For the global economy, the Canal connects more than 1,920 ports in 170 countries and channels between 5% and 6% of world maritime trade, making it an essential node for global supply chains. This share is particularly significant for the routes connecting Asia, Europe and the Americas.

Preserving trust has made the Canal a predictable service: in 2025 a total of 13,404 vessels transited it, generating revenue of US$5,705 million, 14.4% more than the figure reached in 2024. Notably, revenue even exceeded the budgeted figure of US$5,623.5 million, and the Canal achieved a net profit of US$4,134 million, US$372 million above

[6] For further detail, see "Visión Marítima País 2024-2029. Nuestra Industria, Nuestra Ruta", Cámara Marítima de Panamá. https://camaramaritima.org.pa/wp-content/uploads/2024/02/Vision-maritima-web-single-pages-300dpi.pdf.pdf

projections. Total tonnage reached 489.1 million CP/SUAB tons[7], a 15.6% increase on the previous fiscal year. For fiscal year 2026, the Panama Canal Authority (ACP) has budgeted revenue of US$5,207.2 million, 7.4% less than in 2025, anticipating a reduction of between 1,100 and 1,200 transits owing to global economic uncertainty and the impact of tariff policies. Nonetheless, contributions to the Panamanian treasury are estimated at US$3,193.8 million, 14.5% more than in fiscal year 2025, which demonstrates the Canal's capacity to optimise its contribution to the State even in scenarios of lower activity.

Panama stands out in the international economic arena thanks to the combination of modern port infrastructure, a solid banking sector and connectivity that efficiently links the main production and consumption centres. This set of factors places the country at the forefront of global supply chains, making it a key reference point for international trade and logistics. Panama's capacity to offer advanced port services, together with the strength of its financial system, contributes decisively to its competitiveness in the world market.

Through collaboration among the various national and international actors, the opportunities offered by the Panamanian logistics environment can be maximised. This collaborative approach makes it possible to turn existing advantages into concrete actions aimed at strengthening infrastructure, raising competitiveness and improving governance. It also promotes the implementation of more rigorous control and transparency standards, both in logistics platforms and in digital systems, facilitating more efficient and secure management of logistics processes.

Today, 75% of the foreign direct investment announced globally is directed towards industries of the future and strategic resources. This poses the challenge of competing for capital in increasingly relevant and politicised sectors, but it also represents an opportunity to position the country in advance within the supply chains that will define economic growth in the coming decades. From this perspective, Panama, as a fundamental actor in global, maritime and logistics trade, and especially as a strategic hub, must understand the new geometry of world trade. That understanding will be crucial

[7] CP/SUAB stands for the Panama Canal Universal Measurement System (Sistema Universal de Arqueo de Buques del Canal de Panamá). It is the standard volumetric measurement method used by the Panama Canal Authority to calculate vessels' cargo capacity and set transit tolls, based on the 1969 International Convention on Tonnage Measurement of Ships. https://pancanal.com/wp-content/uploads/2022/05/Evaluacion-de-Peajes_actualizado-Jul-2020-rev-NTAP.pdf

to maintaining its leadership role in the international arena over the coming years.[8]

In 2025, the Panama Canal Authority contributed US$2,965 million to the Government as part of the dividends generated during the fiscal year. These resources, which flow directly into the National Treasury, represented a 20% increase, equivalent to US$500 million, compared with fiscal year 2024, when they reached US$2,470 million. In total, the Panama Canal's economic contributions to the State have amounted to US$31,231 million over the 26 years of Panamanian administration.

In addition to these economic contributions, the ACP is advancing new projects worth more than US$8,500 million, the most significant being the Río Indio reservoir, the gas pipeline and the tender for two ports (Corozal on the Pacific and Telfers Island on the Atlantic). At the close of 2025, the ACP's total portfolio of investments and projects for the coming decade amounts to approximately US$12,000 million, including maintenance, modernisation, decarbonisation and digital transformation. The Río Indio reservoir, with an estimated investment of between US$1,500 and US$1,600 million, is expected to be tendered in late 2026, with works starting in 2027 and completion in 2031, guaranteeing the Canal's water security for the next 50 years. The gas pipeline, with an estimated investment of between US$4,000 and US$8,000 million, will have a capacity of 2 million barrels per day. The two new ports, with a combined investment of US$2,600 million, will add 5 million TEU to the current transhipment capacity of 9.5 million, with the award expected in late 2026 and entry into operation foreseen around 2030.

All these actions around the Canal, together with other initiatives, drive and strengthen relations with the United States, which positions itself as the country's leading trading partner and largest investor. For its part, Panama supports the two countries' shared economic interests by consolidating itself as a regional centre of trust for trade and logistics, a role that takes on greater relevance in the face of the changes transforming the movement of goods worldwide.

The geopolitical challenges and the relevance of the Panama Canal

The geopolitical struggle for world hegemony between the two great superpowers, the

[8] Jeffrey Condon, Senior Expert at the McKinsey Global Institute: "The great reconfiguration of trade". International Strategic Forum, a space to analyse the reconfiguration of global trade and Panama's strategic role as a logistics hub. Cámara Marítima de Panamá - McKinsey. Panama, 12 March 2026.

United States and China, is played out on many fronts: in technology, in the supply of raw materials, in critical minerals and, of course, in securing control of the maritime domains that make it possible to consolidate global hegemony, as the two superpowers fight to expand their respective spheres of influence.

These geopolitical challenges, specifically after the war between the United States and Israel concerning Iran, which has caused the closure of the Strait of Hormuz since March 2026, are forcing a reconfiguration of global maritime routes, increasing the importance of alternative routes such as the Strait of Magellan and, more commonly, the route around the Cape of Good Hope. None of these, however, has managed to diminish the prominence of the Panama Canal, which remains a key piece of infrastructure for international trade. Indeed, the Canal Administrator, Ricaurte Vásquez, has anticipated an increase in transit through the interoceanic waterway as a consequence of the closure of the Strait of Hormuz, especially in the transport of liquefied natural gas (LNG) from the United States to Asia, noting that, depending on the route, using the Canal shortens the voyage by between three and fifteen days. One figure that confirms these forecasts is that, in March 2026, the Canal was operating at full capacity with 36 to 38 transits per day, helped also by the end of the drought restrictions and by higher-than-normal rainfall that has made it possible to maintain a maximum draught of 50 feet (15.24 metres).

Geopolitically, the importance of the Canal is reflected in the moves by the United States to regain control of it. This stance has provoked a reaction in Panama, which has activated mechanisms to preserve its autonomy and neutrality. In this context, it has taken steps to counter China's growing influence, cancelling the "Silk Road" economic agreement (the Belt and Road Initiative). That decision was announced by the President of Panama, José Raúl Mulino, in February 2025, setting out Panama's geopolitical position with its traditional partner.

As for the relevance of the Canal, this is made clear by its high capacity to handle the transit of the world fleet, reaching almost 98%, and by the fact that it channels between 5% and 6% of international maritime trade, including around 40% of US container traffic, which represents close to 73% of the Canal's total traffic (adding containers and other goods), most of which reaches the east-coast ports from Asia. Latin America also holds a prominent position, as is the case with Ecuador (26%), Peru (21%) and Chile (11%). This geostrategic position places the Canal at the centre of the geopolitical competition between the two great world powers, the United States and China.

In this scenario, the Canal reinforces its relevance in international geopolitics, consolidating itself as a key point for international trade. The United States has shown growing concern at the expansion of Chinese companies linked to the Canal, regarding this phenomenon as a threat to national security, bearing in mind that the National Security Strategy of the Trump administration includes the absolute priority of the Western Hemisphere in the defence of the United States.

This concern has been reflected in the rhetoric and actions undertaken, especially since the start of President Donald Trump's second term, who has repeatedly asserted his intention for the United States to "take back control of the Panama Canal". He has argued that the Canal was "foolishly" handed over by the Jimmy Carter administration and that the terms of the Treaty have been violated. To date, the US government has publicly warned that it will not allow China to compromise the operation of a maritime waterway regarded as key to international trade.

This stance highlights the prominent role the Canal occupies in the geopolitical confrontation between the United States and China, being perceived by both as a strategic asset whose management and control have direct implications for the balance of global power. The scrutiny exercised by the United States over Chinese investments and activities responds to the need to preserve the Canal's autonomy and neutrality, as well as to guarantee the security of the trade routes that cross this infrastructure.

China, for its part, maintains that its investments and presence at the Canal form part of a strategy aimed at strengthening global connectivity and fostering international trade. From its perspective, the development of infrastructure and the expansion of the Belt and Road[9] are intended to improve economic relations between regions, facilitate free trade and consolidate an efficient global logistics network. This vision, however, is perceived differently by other international actors, such as the United States, which interprets China's actions as a geopolitical manoeuvre to increase its influence in Latin America and secure control of strategic maritime routes.

Consequently, the Canal is being transformed into an arena of tension and geopolitical

[9] It should be recalled that the President of Panama, José Raúl Mulino, announced in February 2025 the cancellation of the "Silk Road" economic agreement (the Belt and Road Initiative).

rivalry of global reach, where the interests of the two great world powers converge. This competition affects Panama's autonomy and neutrality, compelling the country to implement measures to safeguard its sovereignty over infrastructure that is essential to international trade.

Faced with this context of tension and rivalry, the Government of Panama, led by President José Raúl Mulino, maintains a firm defence of the Canal's neutrality, in accordance with the provisions of the Torrijos-Carter Treaties. That agreement was a historic achievement for Panama, paving the way for the full transfer of responsibility over the Canal, completed on 31 December 1999, which allowed it to exercise full sovereignty and harness its full potential as a strategic resource, given its geographical position.

Unquestionably, Panama asserts the Canal as strategic infrastructure at the service of world trade and as a reliable logistics platform. This function extends to collaboration with regional blocs such as Mercosur, Panama having become the first Central American country to obtain Associated State status within Mercosur[10], to access to preferential agreements, to the promotion of investment platforms and carbon markets, and to the advancement of notable infrastructure projects, such as the construction of the David-Panama railway and the expansion of Tocumen Airport.

To all of this must be added that the Canal maintains close collaboration with national and international bodies to promote the training of human talent and to foster applied technological research in logistics and environmental management. These alliances make it possible to strengthen the country's competitiveness and to position Panama as a benchmark for innovation and sustainability within the international maritime sector. Likewise, the implementation of inclusion and social-responsibility policies has raised development standards, generating employment opportunities and improving quality of life.

Looking ahead, the Canal is projected as an engine of transformation, ensuring that the benefits obtained contribute to balanced and sustainable growth for the entire nation, whose geographical position and the development of advanced logistics infrastructure

[10] It enables Panama to strengthen its geopolitical and commercial position in the face of global protectionism, becoming the indispensable logistics bridge between the Southern Cone, Central America and the US market. For further detail, see Ramón Casilda Béjar (ICE, Revista de Economía, No. 942): "Panamá como estado asociado del Mercosur: una oportunidad estratégica de integración". Ministry of Economy, Trade and Enterprise, Government of Spain.

consolidate it as a fundamental link between the Americas, Asia and Europe.

The geostrategic relevance of the Panama Canal

Geostrategy frequently reveals the relevance that countries acquire; put another way, geographical determinants form an important part of the economy and history of nations, as the Panama Canal clearly exemplifies.[11]

Its privileged geographical position makes it a key geostrategic point. By connecting the Atlantic Ocean and the Pacific Ocean, it facilitates a significant reduction in time, distances and associated costs. Thanks to the Canal, trade routes are optimised, which has a direct impact on the efficiency of world trade and on the competitiveness of the economies that depend on the import and export of goods.

Between 5% and 6% of world maritime trade passes through it, underlining its decisive role in the global flow of goods and services. This transit volume not only evidences the magnitude of its economic importance but also underscores its geostrategic relevance as a main artery for international logistics chains.

The Canal has a robust infrastructure system, comprising modern ports, an international airport and a trans-isthmian railway. These elements complement the Canal's functionality and reinforce the country's position as a first-rate logistics centre. Thanks to these capabilities, Panama is geostrategically consolidating itself as a nerve centre or hub for goods, supported by the efficient management of cargo movements, thereby contributing to the fluidity and security of world trade.

Following the expansion of the Canal, begun in 2007 and completed in 2016, the new dimensions of the third set of "Neopanamax" locks allow almost the entire world container fleet to transit it. These locks increased cargo volume, transforming maritime-transport patterns by allowing vessels three times larger with the same operational efficiency and high safety standards. This represents the adaptation of global maritime infrastructure to a new scale of efficiency and commercial power, consolidating and expanding the Canal as a key geostrategic axis in world trade.[12]

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[11] For further detail, see: https://pancanal.com/

[12] The expansion of the Canal was carried out by a consortium of companies led by Spain's Sacyr. The expansion allows New Panamax (Neopanamax) vessels to transit the Canal with loads of 14,000 TEU containers, compared with the 4,400 of the former Panamax vessels. The dimensions of the ships that may currently transit are 289.56 metres in length overall, 32.31 metres in beam and 12.54 metres in draught, save for exceptions. The new lock chambers

As President Mulino points out, the Panama Canal is at the service of humanity, which allows a small country to bring stability to global trade. He defended the current arrangement, affirming that "the neutrality of the waterway is the best and the only defence against any threat, whether specific or global", and placed it as a pillar of the legal framework that stems from the Torrijos-Carter Treaties, including the section on the "Treaty Concerning the Permanent Neutrality and Operation of the Canal", which guarantees peaceful transit "on terms of entire equality" for vessels of all flags. The obligation to maintain that neutrality regime falls on both Panama and the United States[13]. It is clear that President Mulino seeks balance in his discourse and asserts the country's institutional capacity to ensure neutrality and that decisions about the Canal rest with the national authorities. The implicit message was that the Canal is not a geopolitical bargaining asset, but a global public service under clear rules exercised by Panama.

At the United Nations it became clear that the stability of the waterway requires strict rules and sustained vigilance, for the Canal is more than locks: it is a critical piece whose strength rests on technical decisions and on a neutrality regime that the United States undertakes to support.

The geopolitical relevance of the Panama Canal

The geopolitical relevance of the Panama Canal is demonstrated by its high capacity to handle the transit of the world fleet, reaching almost 98%, and by the fact that it channels between 5% and 6% of international maritime trade, including around 40% of US container traffic, as well as the trade of countries such as Ecuador (26%), Peru (21%) and Chile (11%). It has also reinforced its position in world trade since the war in Ukraine and other conflicts in the Middle East, including the war involving Iran, which has had a notable impact on the security of maritime transport. This has been considerably aggravated by the bottlenecks (choke points) that act as critical valves of world trade, with no easy alternative, through which a large volume of oil and gas passes. These points are highly vulnerable to interruptions caused by armed and geopolitical conflicts and by

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measure 427 metres long by 55 metres wide and 18.3 metres deep. The third set of locks allows the passage of vessels with triple the capacity, with a positive impact on the global logistics industry, thanks to which ports around the world have adapted their logistics platforms to receive Post-Panamax ships. The expansion of the Canal is one of the largest and most important engineering works in the world, given its technical and technological complexity.

[13] The Canal's daily operations are the responsibility of the Panama Canal Authority (ACP). The ACP sets draughts, manages slot allocations and coordinates with shipping lines, insurers and port agents, and issues notices to mariners when water availability requires transits to be adjusted.

natural disasters, producing highly damaging economic impacts. These bottlenecks are the following.

The first is the Panama Canal itself. The second is the Strait of Gibraltar, a narrow passage of barely 14.4 kilometres at its narrowest point, connecting the Atlantic Ocean with the Mediterranean Sea, which gives it critical geostrategic, commercial and military value. The third is the Suez Canal, between Port Said and the Gulf of Suez, which belongs to Egypt and connects the Mediterranean Sea with the Gulf of Aden; around 12% to 15% of the world's oil passes through it, and it is the vital artery linking Asia with Europe. The fourth comprises the Turkish Straits of the Bosphorus and the Dardanelles, located between the European and Asian borders and belonging to Türkiye, which connect the Black Sea with the Mediterranean Sea.

The fifth is the Strait of Hormuz, between Iran and Oman (the Arabian Peninsula of the United Arab Emirates and the Omani enclave of Musandam), which separates the Indian Ocean from the Persian Gulf. It is the most critical bottleneck, carrying 20% to 25% of the world's oil (some 20 million barrels per day) and a fifth of liquefied natural gas, mainly from Saudi Arabia, Iraq, Kuwait, the United Arab Emirates and Qatar. Its narrowness, 33 kilometres at its narrowest point, with shipping lanes only 3 kilometres wide, makes it especially vulnerable to blockades and closures. Since March 2026, the war involving Iran has caused a de facto closure of the Strait of Hormuz, sharp route diversions and additional pressure on energy markets. The sixth is the Strait of Bab-el-Mandeb in the Red Sea, between the Arabian Peninsula (Yemen) and the Horn of Africa (Djibouti and Eritrea); it channels between 12% and 30% of world trade and 10% of oil, its weakness being the disruptions caused by Houthi attacks affecting routes towards the Suez Canal. The seventh is the Strait of Malacca, between the Malay Peninsula and the island of Sumatra, which connects the southern Indian Ocean with the Pacific Ocean and through which 25% of the world's goods pass, making it key to Asian trade and Chinese exports.

The geopolitical situation fuels US concern about China's strong influence over the Canal, which is why relations between the two countries are becoming strained, a tension that has an impact on Panama and on its position within that strain. As noted, however, President Mulino firmly affirms that "the neutrality of the waterway is the best and the only defence against any threat, whether specific or global", as a pillar of the legal framework that has governed since the end of the twentieth century. That neutrality stems from the

Torrijos-Carter agreements, including the section on the "Treaty Concerning the Permanent Neutrality and Operation of the Canal", which guarantees peaceful transit "on terms of entire equality" for vessels of all flags.

As the United States is a traditional partner of Panama, it is essential to analyse the consequences and scope of the relationship with China. Doing so is relevant when considering how, through the Belt and Road Initiative, China penetrated Latin America over the past decade by investing in port infrastructure. Two cases located in Peru and Brazil, plus a third in Panama, are clear evidence of this.

The first case is in Peru, at the Chancay mega-port, located just 80 kilometres from Lima, solemnly inaugurated by the President of China, Xi Jinping, and the then President of Peru, Dina Boluarte, on 14 November 2024. Chancay opens a new maritime connection with Chinese ports, especially Guangzhou, from which a direct route is articulated that reinforces the distribution of goods in Latin America. This connection brings trade closer to other ports on the west coast of the Pacific, such as Manzanillo (Mexico) and San Antonio (Chile).

The importance of the new route lies in the fact that it avoids the Panama Canal and that the direct journey between Guangzhou and Chancay takes approximately 30 days, compared with longer times via alternative routes, with the added value of reducing logistics costs by around 20% and offering a more competitive container service. This new route makes it possible to boost Peru's connectivity with international markets, especially with Asia. Peru thus consolidates itself as the main port centre on the west coast of the Pacific, also benefiting Colombia, Ecuador, Chile and Brazil. Chancay's activity is therefore acting as a catalyst for regional trade, adding tension to relations between China and the United States. In this regard, General Laura Richardson, Commander of the United States Southern Command (Southcom), stated that Chancay has the capacity for "dual use, both commercial and military, because it could host Chinese warships. This situation represents a security risk for the United States and a threat to its interests in the Pacific"[14]. There is the aggravating factor that the majority and exclusive control exercised by COSCO Shipping over Chancay limits Peruvian state intervention and raises concern about sovereignty and national security.

[14] Statements made in November 2024, when the Chancay mega-port came into operation.

At the same time, Peru maintains an intense trading relationship with both countries, China being its leading trading partner[15] and the United States its second, which creates a complex dynamic for maintaining their respective influence in the country. This situation has compelled the US administration to demand credible military options from the Pentagon in order to guarantee unrestricted access to strategic infrastructure. The signal sent is that military and security cooperation with Peru has been strengthened, including training and agreements for the entry of US troops, which consolidates the US presence and intensifies its diplomatic pressure.

China, by contrast, maintains a strategic relationship of market access and infrastructure control, supported by political sectors that view economic rapprochement with Beijing favourably. Chancay forms part of China's strengthening in Peru, which fits into the search for alternatives to possible geopolitical blockades or to tensions on the traditional routes of the Suez Canal or the Strait of Malacca. There is therefore much more than logistics at stake: it is an example of how China is expanding its geopolitical and economic influence in Peru and, by extension, in Latin America. Chancay is far from indifferent, because it has been designed to change regional trade. COSCO Shipping knows this and acknowledges it publicly: "Although much has been speculated about geopolitical and military implications, particularly from the United States and some neighbouring countries, the fact is that the impact will be favourable for Peru, even if perhaps not so much for others"[16].

The second case is in Brazil, where China has proposed a project of great importance to advance towards the logistics integration of South America with Asia, signing a "memorandum of understanding" at the 17th BRICS Summit (Rio de Janeiro, 6 and 7 July 2025) between the Brazilian state-owned company Infra SA, under the Ministry of Transport, and China's Railway Economic Planning and Research Institute, to begin studies for the Central Bi-Oceanic Railway Corridor with the aim of facilitating trade and the transport of goods between Asia and South America.

This initiative strengthens economic cooperation and will also transform the regional

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[15] Peru is the Latin American country that exports the most to China. Its exports reached US$25,200 million and its imports US$15,800 million. With the United States in 2024, exports were US$9,222 million and imports US$10,009 million. Colombia has the largest deficit with China, which in 2024 reached US$12,392 million.

[16] For further detail, see: https://elmen.pe/puerto-de-chancay-los-barcos-siguen-llegando-y-la-pugna-geoestrategica-entre-ee-uu-y-china-aumenta/

railway infrastructure. The railway will extend more than 3,000 kilometres, connecting the Brazilian Atlantic coast with the Peruvian Pacific. It will connect the port of Ilhéus, in the Brazilian state of Bahia, with the Chancay mega-port, speeding up the export of agricultural and mineral products to China and reducing times and costs, in response to the growing demand for more efficient trade routes in a context of high global competition.

The construction of the bi-oceanic railway will not only optimise logistics but will also strengthen the position of Brazil and Peru in global trade and consolidate China as the leading partner of both countries. The infrastructure is expected to facilitate integration with other modes of transport, such as roads and waterways, creating a broader, more diversified and robust logistics network. In this way, Chancay will become the key to the South American Pacific, shortening maritime routes. This project also reinforces cooperation within the BRICS framework, promoting greater connectivity among member countries.

Brazil is deepening its relationship with China, which is accelerating with the arrival of the first BYD electric-car factory and investments in clean energy and telecommunications. With the United States, by contrast, Brazil is recalibrating the relationship after Washington imposed its highest tariffs, reaching 50%, subsequently reduced to 0% on a range of products such as coffee, bananas, pineapple, coconut, vegetables, tomatoes, beef and beef by-products.

The third case occurs in Panama, which increased US unease. It concerns the influential presence of CK Hutchison Holdings Limited, which operates the ports of Cristóbal, the entry point to the Canal on the Atlantic Ocean side, and Balboa, which serves as the exit, located on the Pacific Ocean side and being the main transhipment terminal in Latin America and a logistics centre of great importance. Controlling these two ports means having a privileged enclave at both ends of the Canal, all the more so considering that around 40% of US container traffic crosses this waterway.

This situation drew the attention of the United States and prompted a warning from John Moolenaar, Chairman of the US House of Representatives Select Committee on the Chinese Communist Party (CCP), who described as “malign influence” China’s attempts to control strategic ports in the country. This warning came after it emerged that Chinese business groups were attempting to acquire port concessions belonging to CK Hutchison Ports. In a letter addressed to Panama’s Minister of Maritime Affairs, Luis Roquebert, Moolenaar expressed his alarm at the malign influence exercised by China, while praising the efforts of President Mulino to strengthen ties with the United States and curb Chinese expansion in the country, highlighting the decision to abandon the Belt and Road Initiative, which Panama had been the first Central American country to join, in November 2017. That decision was announced during the visit of the US Secretary of State, Marco Rubio (1-3 February 2025), and set out the country's geopolitical position with its traditional partner.

Moolenaar was clear in warning that the United States by no means wishes Chinese companies such as COSCO Shipping to operate the ports of Balboa and Cristóbal, "for it poses an unacceptable risk to the national security of Panama, of the United States and of the region". He also requested that any new operator taking over the ports not be subordinate to the Chinese Communist Party.

Panama's ports were thus at the centre of an increasingly tense and intense dispute ever since CK Hutchison Ports agreed, in March 2025, to a preliminary sale of 41 ports worldwide, including Balboa and Cristóbal, for US$23,000 million to the consortium led by BlackRock and Mediterranean Shipping Company (MSC, the world's leading shipping line by container-vessel cargo capacity). The transaction, however, was not completed on the terms initially announced.

On 30 July 2025 the situation became more complicated, as the agreement was halted by the Office of the Comptroller General of the Republic of Panama, which turned to the Supreme Court of Justice, where it filed two lawsuits (case files 119313-2025 and 17547-2025) that could redefine the competition between the United States and China in port matters. The lawsuits demand that the contract granted in 1997 between the State of Panama and Panama Ports Company, a subsidiary of CK Hutchison Holding Limited, be declared null and void owing to the numerous irregularities found during an internal audit. The Comptroller General questioned its legality, indicating that a loss to the State of more than US$1,300 million had been recorded, and announced possible criminal proceedings against former officials for harming the national interest.

That contract, in addition to the enormous economic losses, granted exclusive development rights and veto power over infrastructure projects in key areas of the Canal, a point that has drawn criticism for being regarded as a cession of sovereignty. The Attorney General of Panama concurred with these objections, noting that the contract created an unjustified monopoly and breached constitutional principles. This whole series of events and moves, involving pressures and influences from the two great powers, demonstrates that the Panama Canal's international connectivity is key; hence the high geopolitical relevance it acquires for both countries and, in particular, for the United States.

At present, 37 ports in Latin America operate with Chinese capital participation or management, and the implications for Central America are profound. China Merchants Port Holdings and COSCO Shipping Ports have invested strategically from Kingston to Paranaguá, with the Chancay mega-port in Peru as their flagship project. It is important to note that 85% of these ports are located at nerve centres for Asia-Latin America trade, many of them financed under the Belt and Road Initiative with preferential terms and long-term contracts.

The Supreme Court ruling and the transition to public management of Panama's ports

The Judicial Branch of the Supreme Court of Justice of Panama[17] issued a historic decision on 29 January 2026, declaring the constitutional invalidity of the concession "contract" between Panama Ports Company and the Panamanian State. This decision directly affects the management of the country's two key ports, Cristóbal and Balboa. That contract breached the Constitution by placing the concession-holding company above the State and granting automatic extensions that proved harmful to national interests. Since 1997, the form and substance of these concessions have been the subject of criticism, for, in keeping with the spirit of the Canal treaties, the terminals should have passed into Panamanian hands for their administration rather than being ceded to foreign companies.

The ruling on the two unconstitutionality lawsuits (case files 119313-2025 and 17547-2025), under which the provisions declared unconstitutional are linked to the contract governing the development, construction, operation and administration of the container, Ro-Ro, passenger, bulk-cargo and general-cargo terminals at the ports of Balboa and Cristóbal, and to the irregularities in the contractual extension, according to the audit that estimated fiscal losses of, as noted, US$1,300 million, enables the entry of new operators,

[17] Republic of Panama. Judicial Branch, Supreme Court of Justice (Full Bench). Panama, 29 January 2026. https://www.presidencia.gob.pa/storage/documentos/1225/gaceta-oficial-panama-ports-company-sa-1771862390.pdf

potentially American or European. The decision of the Supreme Court of Justice gave way to an 18-month transition, during which the ports will be managed by two of the world's leading cargo operators until they are awarded by tender. APM Terminals, a subsidiary of Denmark's Maersk, will manage Balboa under a contract worth US$26 million, while Terminal Investment Limited (TIL), part of MSC, will operate Cristóbal under an agreement worth almost US$16 million. According to the official approach, these companies will handle most of the cargo associated with both ports, which will make it possible to preserve logistical continuity and reduce risks, ensuring an efficient transition and the operational flow of containers while the State defines the definitive model for state administration and award.

As a consequence of the ruling, Panama Ports Company initiated arbitration against the Republic of Panama on 3 February 2026 before the International Chamber of Commerce (ICC), claiming at least US$1,500 million in damages. For its part, CK Hutchison Holdings Limited expanded its notice of dispute by invoking a bilateral investment treaty. This step means that the company is invoking international protection mechanisms for foreign investors, alleging that Panama breached its obligations of transparency and communication. According to CK Hutchison, the government ignored prior consultations and acted without dialogue or good faith, which it argues reinforces the basis for international arbitration.

The Minister of Economy and Finance, Felipe Chapman, has ruled out direct negotiation with Panama Ports Company, describing the claim as disproportionate in relation to the historic contributions of the contract, and has reaffirmed that the Panamanian State's legal position is solid. The Panama Maritime Authority has complied with the rules of the arbitration procedure and has noted that, upon taking possession of the ports, a significant deterioration of both terminals was found, far removed from international best practices and standards.

In Panama's new port landscape, the country has shown that it is prepared to take on the management of its main terminals under the public-enterprise model, taking the Panama Canal Authority as a reference. This approach represents a fundamental change in the vision of the ports, which should no longer be perceived solely as sources of revenue or commercial spaces, but as strategic assets for the economy and national security. The current situation, marked by geopolitical tensions and international disputes, makes it inadvisable to continue with foreign management of the ports, since this would expose them to the fluctuations and pressures arising from the interests of international powers.

It is time to look to the future, prioritising national interests and ensuring that the benefits generated by the ports are tangible and direct for the Panamanian population. Ultimately, port management must be oriented towards ensuring that the ports serve Panamanians. To that end, Panama must maintain its autonomy and resist any kind of external pressure, avoiding negotiations or decisions that favour alien and self-serving interests. The country stands at a historic juncture, which represents a unique opportunity to consolidate the public and efficient administration of its ports, thereby reinforcing its sovereignty and its capacity to decide over critical infrastructure.

Looking beyond the Panama Canal

The Panama Canal is a regional and global asset of the first order. Its relevance lies not only in being a fundamental pillar for international trade, but also in the intense interest and disputes it arouses between the two global powers. This scenario compels Panama to maintain a stance of strict neutrality, which is perceived as indispensable for international stability. The importance of the Canal goes far beyond its logistical function; it represents a nerve centre. The United States regards it as an essential element of its national security, while China, which consolidated its influence through strategic investments, views the Canal as a nexus of power, now diminished by the historic decision of the Supreme Court of Justice of Panama to declare the constitutional invalidity of the concession “contract” between Panama Ports Company and the Panamanian State.

Historically, the Canal has been a priority matter for the United States and indeed remains key to its security strategy. For this reason, the growing presence and substantial Chinese investments in the infrastructure and management of two of the Canal’s key ports heightened US unease, which intensified with the arrival of Donald Trump’s second term. This unease grew as China’s presence expanded as a central actor in the region’s port and logistics competitiveness.

Geopolitically, the Canal sits at the epicentre of the convergence of US and Chinese interests. The operation of key ports such as Balboa and Cristóbal, managed until now by the Hong Kong company Hutchison Ports, has been the subject of accusations by the

United States, which points to it as an influence on the decisions of the Panama Canal Authority and on national regulatory frameworks. This clash of interests illustrates the struggle for control and management of critical infrastructure in the area. The treaties, control and international presence at the Panama Canal, together with the special transit rights and international agreements, grant the United States a special right of transit for its warships through the Canal, a right it also shares with Panama. This privilege is recognised as a tribute to the historic role of the United States in the construction of the Canal.

Despite full Panamanian control of the Canal since 31 December 1999, this has not prevented the United States from showing interest in changing this situation; indeed, President Donald Trump has called into question the foundations of the Treaty, invoking reasons of "national security" and pointing to alleged influence given the Chinese presence in the management of the Canal compared with that of the United States. The evident use of the Canal by Chinese companies has grown significantly, China being the second-largest user, although it remains well behind the United States.

Thus, amid the current geostrategic and geopolitical tensions that produce growing disruptions and rivalries, Panama's political stability, neutrality and legal certainty emerge as key strengths. These qualities allow the country to continue attracting foreign investment and to consolidate itself as a benchmark global logistics centre. Thanks to the structure and connectivity of the Canal and its ports, Panama is perceived internationally as a reliable, secure and competitive partner. The Canal's most notable milestones over the past 26 years are the following.

Total contributions to the State: US$31,231 million to the National Treasury, consolidating it as one of the main sources of public revenue and a key support for financing national development. Strategic investments: in 2025 the Panama Canal Authority presented its roadmap for the coming decade, with projects intended to strengthen its role in global trade, among them the Energy Corridor, port improvements and systems aimed at guaranteeing water security. Innovation and sustainability: the Canal reaffirms its focus on sustainability through programmes designed to optimise water use, reduce emissions and increase the resilience of its infrastructure in the face of climate change. Work in the hydrographic basin: the Canal's management includes permanent programmes in the Canal Hydrographic Basin, focused on protecting the water resource and improving the living conditions of the communities that depend on this strategic area.

Throughout its history, Panama has based its economic model on the advantage of its privileged geographical position, standing as a nerve centre in international transit thanks to the Panama Canal. The revenue generated by this infrastructure has formed the basis of national growth and continues to be one of the main pillars of the Panamanian economy. This model has allowed the country to consolidate itself as a strategic enclave for global trade, securing fundamental resources for financing and economic stability. However, global transformations and the new challenges of the world landscape have undergone an acceleration over recent decades that traces a new dynamic. The most competitive economies of the twenty-first century are no longer sustained solely by physical infrastructure or traditional trade, but are advancing towards a model in which knowledge, innovation and technology take centre stage. This new scenario requires Panama to rethink its development strategy, integrating these key factors in order to remain relevant and to make full use of its potential as a regional and global platform, one which, moreover, possesses one of the greatest levels of biodiversity on the planet.[18]

Turning that natural heritage into scientific knowledge, innovation and sustainable economic development is the country's strategic challenge. This situation can define the country's future, enabling it to move from being conceived of as a country of transit for international trade to becoming a powerful regional and global platform. The change of model entails attracting companies that establish themselves permanently, driven by the strength of an integrated and efficient supply chain. The evolution towards this new model requires a commitment to the generation of added value and the attraction of long-term investment. In this way, Panama will be able to harness the competitive advantages of having complex logistics ecosystems connected to global supply chains. Today, international competition is not centred solely on routes, but on the capacity to create robust, resilient and efficient logistics systems that connect infrastructure, talent, technology and production; it is not merely about transporting goods, but about building an integral system.

[18] Panama possesses one of the greatest levels of biodiversity on the planet. Turning that natural heritage into scientific knowledge, innovation and sustainable economic development is the country's strategic challenge. The twenty-first century belongs to economies that invest in science, and Panama has everything it needs to be one of them, according to Timothy Thomson, director of INDICASAT-AIP. https://www.prensa.com/opinion/la-oportunidad-de-panama-para-construir-una-nueva-economia-biotecnologia-y-biodiversid

Looking to the future, Panama has differentiating advantages that position it as a country with unique logistics potential. Although geographical position remains its greatest attraction, the current international context is marked by the reconfiguration of global supply chains, productive relocation and the search for logistical security. The true value lies in the capacity to integrate the Canal's geographical advantage with modern infrastructure, solid connectivity, talent development and an open and proactive vision. This makes it possible to leave behind the image of a country of passage and to become the point of departure for regional and global trade flows, favouring productive linkages and building a more resilient and diversified economy. In this context, the Panama Canal Authority has allocated US$500 million to digital transformation and has launched a decarbonisation programme aimed at reducing the emissions of its operations, positioning the interoceanic waterway as a world benchmark for sustainability within the maritime sector.

Today, Panama is ideally placed to transform its traditional role as a logistics centre into a high-value-added node for the technology sector, moving from being a consumer and a point of transit to becoming a fundamental actor within the global microchip supply chain.[19] This is a value proposition in which technology and logistics converge, allowing multinational companies to see Panama not merely as a port of passage, but as a centre of innovation where local talent is the protagonist of the region's next technological revolution. Strategic objectives must ultimately underpin specialised employment and investment, with the aim of creating new economic activities that generate highly specialised jobs and attract greater foreign direct investment. Panama's foray into these sectors is not an isolated experiment, but a logical evolution of its geographical and commercial position.

To achieve this, Panama must consolidate itself as a platform for development and regional leadership in the generation of value, which makes it essential to assume a collective responsibility that translates into coordinated and sustained actions over the long term. This responsibility entails, first, the definition and observance of clear rules to guide the functioning of the various sectors involved in the process of economic

[19] Lourdes García Armuelles (11 March 2026): "Darío Solís, National Commissioner for the Microelectronics and Semiconductor Industry. Panama's plan to compete in the global microchip market". La Estrella de Panamá. https://www.laestrella.com.pa/economia/el-plan-de-panama-para-competir-en-el-mercado-global-de-microchips-DD2067500

transformation. It is also essential to foster effective coordination between the productive sectors and academia, so as to enhance the transfer of knowledge and innovation as engines of growth. Governance, secondly, plays an essential role in this process, since it must be capable of maintaining long-term strategic priorities, moving away from short-term approaches and isolated projects. Only through forward-looking management will Panama be able to transcend its traditional dependence on the Canal and evolve towards a model based on integral development, sustained growth and regional leadership. This transition entails leaving behind the logic of individual initiatives in order to build a solid and cohesive structure that makes it possible to face global challenges and seize the opportunities of the international environment.[20]

Panama's strategic geographical position has allowed it to build its recent history on an indisputable advantage: its capacity, through the Panama Canal, to connect the world. The Canal, together with the ports, airports, roads, railway and all the logistics infrastructure, added to its strategic geographical position, gave the country a transcendental role at the international level. However, the outward-oriented development model detracted from the efficient integration of the national territory. This is the true turning point for Panama's internal growth: ensuring that the connectivity and efficiency that have characterised the country's global projection translate into shared benefits and internal cohesion.

Strategic infrastructure and logistics modernisation, with new mega-works such as the Fourth Bridge over the Canal, the National Railway Corridor, the Beaches Corridor, the road public-private partnership projects and other strategic infrastructure, act as a transformative catalyst. These initiatives are not isolated projects, but coordinated responses to needs accumulated over years. High logistics costs, the underused potential of various regions, the difficulties of access to tourist hubs and an infrastructure that has not grown at the pace of demand have left the country with a logistics system that, despite being a national flagship, requires modernisation and internal articulation in order to remain efficient.

As regards the economic and social impact of this infrastructure, when analysed in an integral manner, its effectiveness goes beyond the mere movement of people or goods,

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[20] Luis Eduardo Preciado B. (10 March 2026): "Panamá 2026: una oportunidad impostergable para transformar su modelo logístico". La Estrella de Panamá. https://share.google/7xxfWzJubQxJlAWOu

thereby transforming the country's economic structure. In economies such as Panama's, where logistics costs can represent between 15% and 30% of a product's value, any improvement in efficiency has a direct impact on competitiveness. Modern, multimodal infrastructure significantly reduces these costs, allowing sectors such as agribusiness, trade and exports to operate with greater margins and access to markets, competing with other countries. The added value is reflected in economic efficiency: each connection node activates trade, services, housing and logistics, generating an advanced economic-business ecosystem and triggering a chain of organic growth in these areas, which connect the territory and regional development.

This territorial connection and regional development bring about the integral transformation of infrastructure, which links the population with key economic axes, greatly reduces travel times and activates regions previously marginalised from development. Projects of this kind allow growth and competitiveness to be shared across the territory, fostering social and economic cohesion. The impact and structural challenges of this infrastructure inevitably generate challenges and objections. Delays in the early stages, doubts about routes and environmental or social concerns are a natural part of any process of structural transformation. The key is not to question them, but to avoid premature and incomplete analyses and to rely on rigorous and efficient planning, in line with the important projects that open a new stage towards Panama's successful future.

Conclusions

The analysis of the geostrategic and geopolitical relevance of the Panama Canal makes it possible to draw the following conclusions.

First. The analysis confirms the Panama Canal's status as irreplaceable infrastructure for international trade. With 13,404 transits and revenue of US$5,705 million in fiscal year 2025, it demonstrates its capacity to generate record results and to consolidate itself as one of the main sources of revenue for the Panamanian State, with cumulative contributions of US$31,231 million over 26 years of national administration. The Canal channels between 5% and 6% of world maritime trade and around 40% of US container traffic, which underscores its strategic character for global supply chains.

Second. Geopolitical competition between the United States and China has turned the

Canal into an arena of global tension. The historic ruling of the Supreme Court of Justice of Panama of 29 January 2026, which declared the constitutional invalidity of the Panama Ports Company concession contract, marks a turning point in the country's port management and opens a new chapter in which Panama reaffirms its sovereignty over critical infrastructure. The transition towards public management of the ports of Balboa and Cristóbal, with interim operators of recognised international prestige such as APM Terminals and TIL (MSC), reflects the Panamanian State's determination to put the national interest ahead of external pressures.

Third. The neutrality of the Canal, stemming from the Torrijos-Carter Treaties, is the fundamental pillar on which the confidence of the international maritime community rests. President Mulino has firmly defended this principle, positioning it as the best and only defence against any threat. The Security Agreement signed with the United States in April 2025 and the session of the UN Security Council in August of the same year show that Panama has been able to navigate with diplomatic skill between the pressures of both powers, maintaining its decision-making autonomy and reaffirming that the Canal is not a geopolitical bargaining asset but a global public service.

Fourth. The crisis in the Strait of Hormuz, intensified since March 2026 by the war centred on Iran, has revealed with extraordinary starkness the vulnerability of maritime bottlenecks and, at the same time, has reinforced the strategic relevance of the Panama Canal as an alternative route. The de facto closure of Hormuz, the volatility of crude-oil prices and the diversion of routes by the world's leading shipping lines have increased demand for transit through the Panamanian waterway, which in mid-March 2026 was operating at full capacity, with between 36 and 38 transits per day. This situation confirms that, in a world marked by geopolitical instability, the Panama Canal is much more than a piece of logistics infrastructure: it is a guarantee of continuity for world trade.

Fifth. China's expansion into the port infrastructure of Latin America, exemplified by the Chancay mega-port in Peru and the Brazil-Peru bi-oceanic railway project, shapes a new regional logistics architecture that challenges traditional routes and alters the balances of power. With 37 ports in the region operated with Chinese participation, the Belt and Road Initiative has doubled its presence in just five years. These developments, far from being merely commercial, carry a profound geopolitical charge that compels all regional actors, and Panama in particular, to calibrate their alliances and strategic decisions carefully.

Sixth. Panama's future demands that it transcend the model of a country of transit and move towards a high-value-added platform. The Panama Canal Authority's investment portfolio, amounting to US$12,000 million for the coming decade, including the Río Indio reservoir, the gas pipeline, the new ports planned at Corozal and Telfers, and the overland logistics corridor, constitutes a decisive commitment to diversification, water resilience and competitiveness. The foray into sectors such as microelectronics and semiconductors, together with the commitment to biotechnology derived from the country's extraordinary biodiversity, represent opportunities to build an economy based on knowledge, innovation and sustainability.

Seventh. The Panama Canal finds itself in a historic situation. The geopolitical tensions between the two great world powers, the reconfiguration of global maritime routes caused by the conflicts in the Middle East, the emergence of alternative logistics projects such as Chancay and the bi-oceanic railway, together with the challenges arising from climate change and tariff policies, shape a complex scenario that is also full of opportunities. The institutional strength of the Panama Canal Authority, President Mulino's unwavering defence of neutrality, and the long-term strategic vision embodied in the investment plan place Panama in a privileged position to turn these challenges into levers of growth. The Canal has been, is and will continue to be a global public good at the service of humanity, and its efficient, neutral and sovereign administration constitutes Panama's best contribution to the stability of world trade and to the balance of international power.

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