

# ‘There will be many casualties’: Panama girds for war as Rubio opens talks

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Matias Delacroix/AP

Marco Rubio’s weekend visit to Panama is set to offer clues to a pressing question: whether the next four years of American policy will more closely resemble an imperial conquest or a hardball real estate negotiation.

On the ground here, members of the country’s small political elite have been bracing for either: As tensions over the Panama Canal ratcheted up last month, Panama’s former president, Ernesto Pérez Balladares, sat in his office on the 10th floor of a bank building and contemplated the worst-case

scenario: an American invasion. *“I think there will be many, many casualties on our side,” he said, “and international condemnation of the U.S.”* At the same time, President Donald Trump’s incoming envoy to Latin America, Mauricio Claver-Carone, was already sending a more pragmatic message in talks with Panamanian officials, according to a participant in those discussions: ***Get ahead of this by preemptively offering concessions.*** Trump’s envoy suggested the Panamanians start by offering ***to let U.S. Navy and Coast Guard ships transit the canal for free,*** according to the person, who was granted anonymity to describe sensitive talks.

Interviews with 10 current and former officials in Panama and Washington ahead of Rubio’s first foreign trip as Trump’s chief diplomat, as well as four days on the ground in Panama City, suggest there remains room to strike a deal that ***reaffirms American preeminence here and rolls back China’s presence*** without contesting Panama’s control of the canal. They also point to a high risk of miscommunication and escalation as Trump’s aggression collides with an affronted Panamanian elite. Balladares, sipping on iced coffee, ***argued that in an increasingly multipolar world, Trump is overplaying his hand.*** Fresh from a consultation at the presidential palace with his incumbent successor, José Raúl Mulino, Balladares said the only specific response they discussed was an appeal to the United Nations, which has since been made. But Balladares raised the prospect that, if pushed, Panama could ***retaliate by opening up the choke points*** of another important flow: that of South American migrants heading north from Colombia.

*“One of the things that we might do, if, you know, if things become worse,”* Balladares said, *“is just open up the gates.”*

## Tense Exchanges

Rubio’s visit is set to test whether direct, high-level diplomacy can contain a crisis that began with threats made by Trump on social media late last year — alongside complaints about toll prices and claims that ***Chinese soldiers*** operate the canal — and escalated since.

In public and private, Panamanians have protested the lack of factual basis for Trump’s claims about a Chinese military presence, pointed out that transit fees are uniform and dictated by law and appealed to the authority of multilateral institutions.

People who have worked for Trump and are privy to the Panamanian response offer a familiar take: Mulino’s administration is taking Trump’s belligerent gripes literally when it should instead take the underlying message — ***don’t forget it’s the U.S. that built and defends the canal*** — seriously.

Initial diplomatic exchanges have not yielded any resolution, according to the participant. Talks between Claver-Carone and Panamanian officials — including cabinet ministers and Ambassador to the U.S. José Healy — ***began in the waning days of the Biden administration***, the person said. In the course of those exchanges, Panamanian officials have fact-checked Trump's claims and cited Luis Almagro, secretary-general of the Organization of American States, a U.N.-type body for the Western Hemisphere. Almagro posted in December on X, "*We expect the fullest and unrestricted compliance with the Agreements signed, approved and in force between the two countries.*"

The message back from Claver-Carone has amounted to, "*I don't care what the secretary-general of OAS says, I don't care what some columnist says. ... Do you think that we give a shit?*" according to the person. A spokesperson for the Panamanian embassy in Washington, Siria Miranda, said she was unable to substantiate this account. The State Department's press office did not respond to a request for comment.

So far, one concession has been forthcoming: On the day of Trump's inauguration, Panamanian government auditors descended on two ports, located at each end of the canal, operated by a subsidiary of Hong Kong-based conglomerate CK Hutchison Holdings. But the deployment of auditors to scrutinize the company's compliance with its port concession agreements did not contain the crisis. In his inaugural address on the same day, ***Trump vowed to "take back" the canal***, which the U.S. handed over to Panama in 1999. Mulino responded with a complaint to the U.N. Security Council that cited Panama's rights under international law. This week, the Panamanian president reiterated his stance that control of the canal is not up for negotiation.

In the lead up to Rubio's arrival, though, came a signal that the Trump administration is ready to temper its approach. "*I think it's clear this is an issue about developing a relationship*," State Department spokesperson Tammy Bruce told Fox Business on Tuesday. "*Not about bossing other nations around, but making it clear that a partnership with the United States is something that they can trust, something that comes with benefits just like any good relationship does.*"

### **'China Was Everywhere'**

With or without Trump's threats, China's presence here has become ***a sticking point in U.S.-Panama relations*** as Beijing has made significant inroads into Latin America over the past decade-plus. Many American critics who recoil at the American president's rhetoric agree that the U.S. could do more to roll back Chinese encroachment in Latin America.

Panamanian elites, on the other hand, are loath to step back from a lucrative trading partner whose presence they argue poses no real threat to American security interests. Panama's small Chinese community — roughly 4 percent of the country's 4.5 million inhabitants — traces its roots in the 19th century and the arrival of laborers who came to help build the railroad, then the canal, that cross the isthmus. ***Today, Chinese culture remains a minor but visible presence in the life of the capital.***

In January, a popular park named for the late dictator Omar Torrijos — who negotiated the handover of the canal from Jimmy Carter — was ***decked out for the impending Chinese lunar new year***. As a diplomatic crisis embroiled the city, families strolled through traditional ornamental gateways and past a cartoonish panda luxuriating in a teacup. American concerns about Chinese encroachment here ***date back at least to the 1990s***, and the awarding of a contract to Hutchison Whampoa, a Hong Kong-based firm, to operate a port at the canal. Hutchison won the concession despite a last-minute bid by Virginia-based Bechtel and interest from other American contractors.

Afterward, conservatives in the U.S. ***began to raise the alarm about "Red China" gaining control of the canal*** via Hutchison, but the uproar was widely interpreted in Panama as sour grapes over the bidding outcome. China's next major round of advances here came during the presidency of Juan Carlos Varela, which saw ***Panama cut ties with Taiwan and switch its recognition to Beijing in 2017***. A series of diplomatic and investment deals promptly followed. Among the ***most striking signs of China's growing presence*** were plans that emerged for a new Chinese embassy to be built on the Amador Peninsula, which juts out from the city into the Pacific Ocean. The plans would have allowed the raising of a Chinese flag on high ground overlooking the entrance to the canal.

***“All of sudden it just looked like China was everywhere in Panama”*** said Robert Evan Ellis, a professor of Latin American Studies at the U.S. Army War College. China’s headway here was smoothed by its then-Ambassador Wei Qiang, who made himself a visible presence in the life of the capital. Wei, a fluent Spanish speaker, had a taste for Armani suits and other fine clothing that earned him the nickname “the tailor of Panama” in some quarters. For much of the time that Wei was charming his way through the city, he had no American counterpart. ***The 2018 resignation of U.S. Ambassador John Feeley, who cited irreconcilable differences with Trump, left a vacuum that was not filled for more than four years.***

But U.S. pressure and dwindling domestic enthusiasm eventually blunted Chinese progress. Plans for the embassy were scrapped in 2018 in the face of American pushback, and the momentum of Chinese-Panamanian relations seemed to reverse after Varela left office in 2019. A Chinese company’s proposal to build a high-speed rail line from Panama City to the northern city of David *stalled under Varela’s successor*, Laurentino Cortizo, whose government also revoked a port concession that had been awarded to a Chinese firm.

Last March, Beijing appointed a new ambassador, Xu Xueyuan, who does not speak fluent Spanish and has been less outgoing than her predecessor. The Chinese embassy did not respond to requests for comment. The personnel change was seen here, Ellis said, as ***“China’s downgrading of the relationship and downgrading their expectations of what was possible.”***

### **‘Typical New Yorker Bull’**

The rolling back of China’s reach under Cortizo is just one reason that Panamanian leaders feel blindsided by Trump. Another is that Panama’s incumbent president, Mulino, entered office last summer ready to work with the U.S. on ***stemming the flow of migrants*** who transit Panama on their way north.

The canal is an especially sensitive target because its successful operation is a point of national pride, considered a model of good governance in a region full of troubled institutions. *“If you really just want to step on a small and very pro-American country, he just found the way to do it,”* said Feeley in an interview. *“That hurts when you talk about the canal.”*

A spokesperson for the canal authority, Octavio Colindres, declined a request to make a representative available for an interview.

But over brunch in the bustling downtown Obarrio neighborhood on a recent Sunday, Jorge Quijano, who served as the administrator of the canal, essentially its CEO, from 2012 to 2019, ***rejected Trump’s complaints***. He took special exception to the idea that Beijing exercises dangerous influence over the canal. *“I ran it for seven years, and I never got any instruction from any Chinese,”* Quijano said.

In an interview in the lobby of the W Hotel, Aristides Royo, who served as Panama’s president from 1978 to 1982, similarly protested Trump’s accusations.

*“There is no single influence of the Chinese government in the ruling of the Panama Canal,”* said Royo, who more recently served as minister of canal affairs, a cabinet position distinct from the independent canal administrator. *“Not at all.”* Royo, like others here, likened Trump’s complaints to the furor that erupted in the ’90s when Hutchison first won its port concession: a disingenuous ploy, as they see it, to undermine a business rival.

Juan Cruz, who served as senior adviser for Western Hemisphere affairs at the National Security Council during Trump’s first term, argues that even though the port operator has not changed, the context has. He pointed out that Hong Kong, where Hutchison is based, was still part of the United Kingdom in 1997. Cruz also cited updates to ***Chinese national security law*** in recent years that ***require Chinese companies to assist the country’s security services***. That, he said, has ***“changed the equation for Chinese companies abroad.”***

Such details aside, Roberto Eisenmann, the 88-year-old founder of Panama’s independent newspaper La Prensa, said that Panamanian leaders are not feigning their bafflement at Trump’s complaints. In a residential neighborhood away from the city’s main drags, La Prensa’s headquarters sits behind high wrought-iron gates,

a legacy of the 45-year-old paper's history of clashes with Panama's government. Supporters of the late dictator Manuel Noriega once destroyed the paper's presses, and one of its editors was given a prison sentence in 1982 over an article that blamed Royo for an armed attack on its offices. The paper is no cheerleader for Panama's current government either: Before winning the presidency, Mulino was implicated in a La Prensa corruption investigation and detained for several months before having his conviction annulled. But, mulling the conflict in an office just off of the newsroom, Eisenmann said that in this case Panama's leaders were right to dismiss Trump's grievances as bluster.

*"I have a New Yorker friend," Eisenmann said, "and he says to me, 'Bobby this is typical New Yorker bullshit when you want to get a discount.'"*

## 'Yankee Go Home'

In large part, the identity of the modern nation of Panama has been defined by the tension between a dependence on the U.S. and a desire to break free of it. The isthmus was part of Colombia for much of the 19th century, but in 1903 Colombia's Senate blocked an American plan to finish an abortive French effort to build a 50-mile canal through the narrow strip of land. Within months, Panamanian separatists — relying on U.S. military and diplomatic support — rebelled. Panama emerged as an independent nation and quickly granted the U.S. the right to build the canal and control the zone around it in perpetuity. The canal was completed in 1914, and the U.S. established over a dozen military installations on the isthmus over the course of the 20th century.

As anti-colonial movements swept the world in the post-war period, a segment of Panamanians soured on the American presence and attempted to assert sovereignty over the canal zone. In 1964, a simmering conflict over the placement of Panamanian and American flags within the canal zone sparked pro-Panama student demonstrations. Then violent clashes erupted that pitted demonstrators against Canal Zone Police and U.S. soldiers, leaving roughly two dozen Panamanians and four Americans dead.

***Carter made handing control of the canal to Panama a top foreign policy priority, achieved in a 1976 deal that conservatives condemned at the time.***

While the Panama Canal Treaty rolled back the American presence in Panama, the U.S. has continued to loom larger here than any other foreign power, as illustrated by George H.W. Bush's 1989 invasion of the country, to depose Noriega. While American soldiers have left, ***the Navy remains treaty-bound to defend the canal***, and American markets remain crucial to Panama's economy. While only a tiny sliver of the canal's \$5 billion in annual revenue is paid by U.S.-registered ships, roughly 70 percent of the cargo transiting the canal is on its way to or from an American port, according to the U.S. Department of Commerce.

## **Bluster or not, Panama is in no position to ignore Trump's threats.**

Two days after the American president refused to rule out military force to take back the canal at a pre-inauguration press conference, much of Panama shuttered in observance of Martyr's Day, a national holiday in honor of the Panamanians killed in the 1964 clashes. But cracks were showing in the anti-American solidarity that the holiday is meant to represent. And here, as in the United States, there are signs that Trump may benefit from an underappreciated factor: a sense among Panamanians that the country is on the wrong track.

***Inflation, corruption and drought have all taken their toll in recent years***, which have seen the rise of mass protest movements and ***continued political instability***. In last year's election, Mulino won with barely a third of the vote. Initially a candidate for vice president, Mulino was suddenly elevated to the top of the ticket when his running mate, former President Ricardo Martinelli, was disqualified by a corruption conviction. Martinelli is now evading prison from the safety of the Nicaraguan embassy.

Such antics ***undermine the standing of Panamanian leaders*** who want to push back against Trump. At the Miraflores Locks — where tourists watch ships transit the canal — and along Panama City's waterfront, sentiment toward the canal flap was mixed, with many Panamanians expressing the view that the canal today primarily benefits the well-connected. The day after Martyr's Day, Ricardo Gomez, a former auto mechanic, was back at work on the sidewalks of Panama City's business district, handing out promotional material for a tour operator. Gomez, 70, said that he was among the students throwing rocks at American soldiers in 1964



but that his views have changed: ***He has concluded that Panama's small elite turned average Panamanians against the U.S. for their own gain.***

*"The rich Panamanian people sell me dream,"* Gomez said. *"They say America no good."*

Gomez extolled the yellow fever and malaria eradication carried out by Americans during the canal building and said that when U.S. military bases went away at the turn of the century, good jobs went with them.

*"Yankee go home?"* he said, invoking the anti-American chants that once rang out across the isthmus.

***"Yankee come back again."***