

# Senators raise concern about Chinese influence on Panama Canal operations

David Shepardson and Marianna Parraga



*Cargo ship sails at the entrance to the Panama Canal*

A bipartisan group of U.S. senators on Tuesday expressed alarm at China's influence on the Panama Canal, which President Donald Trump has vowed the United States would take back. "Chinese companies are building a bridge across the canal – at a slow pace so as to take nearly a decade – and control container ports at either end," Senate Commerce Committee chair Ted Cruz said at a hearing on the canal's role in U.S. trade and national security.

"The partially-completed bridge gives China the ability to block the canal without warning, and

the ports give China ready observation posts to time that action. This situation poses acute risks to U.S. national security," he added.

More than 40% of U.S. container traffic, valued at roughly \$270 billion annually, transits the Panama Canal, making up over two-thirds of vessels passing each day through the world's second-busiest interoceanic waterway.

Federal Maritime Commission Chair Louis Sola said the agency "will continue to monitor the canal's pricing practices and consider broad reviews of Panama's maritime sector," and can impose fines and restrictions on Panamanian-flag vessels entering U.S. ports.

Panama has one of the world's largest registries for vessels, giving its flag to more than 8,000 ships.

Senator Maria Cantwell, the top Democrat on the committee, said the U.S. and Panama should work "together to boost port and Canal infrastructure to lower costs and ensure reliability of the Canal."

She asked for a classified briefing for the committee on foreign adversary threats to the canal and plans to take a group of senators to the canal later this year. "I am concerned about the Chinese-owned ports in Panama and their proximity to the Canal," Cantwell said.

Trump has given no details on when or how he intends to reclaim the canal, which is the sovereign territory of an ally. He has refused to rule out use of military force, drawing criticism from Washington's Latin American friends and foes alike.

George Mason University law professor Eugene Kontorovich told the hearing a neutrality treaty signed when the U.S. transferred the canal to Panama gives both sides "the right to resort to use armed force" to enforce provisions. However, "armed force should never be the first recourse for any kind of international dispute," he added.

Panama's president, Jose Raul Mulino, said last week that Panama has administered the canal responsibly for world trade, including for the U.S., and that it "is and will continue to be Panamanian."

## Sample

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## Analysis-Why the US is claiming China's presence violates the Panama neutrality treaty

Marianna Parraga and Elida Moreno

Some U.S. lawmakers and officials are touting a nearly half-century-old treaty between the United States and Panama to justify the Trump administration's threat to reclaim the Panama Canal - provided it can show the strategic waterway's operation is under threat. Others, however, say hurdles would loom for any bid to use the 1977 Panama Canal Neutrality Treaty, which took effect in 1999 and guarantees that the canal would remain neutral and open to all ships from all countries, as a pretext for the U.S. to seize it. The 82-km (51-mile) waterway's construction was completed by the U.S. in 1914, and since its return to the Central American nation in 1999, it has been controlled by the Panama Canal Authority, an autonomous agency overseen by the Panamanian government.

President Donald Trump vowed to take back the world's second largest interoceanic waterway during his Jan. 20 inauguration speech, falsely claiming that China is operating it. He has complained about the canal's tolls, as well as the presence of Chinese and Hong Kong-based firms in Panama. In a Senate hearing on Tuesday, Federal Maritime Commission (FMC) Chairman Louis Sola said the agency that oversees U.S. ocean transportation and its merchant marine would "*consider broad reviews of Panama's maritime sector,*" and could impose fines and restrictions on Panamanian-flag vessels entering U.S. ports. More than 8,000 ships worldwide are flagged and registered by Panama.

Ahead of this weekend's visit of U.S. Secretary of State Marco Rubio, Panama's President Jose Mulino on Thursday said he could not "*negotiate and much less open a process of negotiation on the canal.*" "*The canal belongs to Panama,*" he added.

### Is China's Presence A Threat?

Besides stipulating that the canal "shall remain secure and open to peaceful transit by the vessels of all nations," ***the treaty also gives the U.S. the right to use its military to defend the canal,*** some U.S. officials and politicians say.

In this week's hearing, U.S. Senator Ted Cruz said ***a new bridge over the canal being built by Chinese contractors,*** which he said could shut down transit, and the operation of ports on both ends of the waterway by China, constitute "acute" security risks. "***Panama may well be in violation of this treaty,***" the Texas Republican said after listening to U.S. officials and experts.

The \$1.3 billion bridge, being built by a consortium between state-controlled firms **China Communications Construction Company** and **China Harbour Engineering Company**, is expected to be completed by 2026 after delays and contract amendments. Hong Kong-based CK Hutchison Holdings has operated the ports of Balboa and Cristobal for more than two decades. The publicly listed company is not financially tied to the Chinese government, though ***Hong Kong firms are subject to state oversight.***

"*The presence of the Chinese government, Chinese companies, and especially Chinese state companies, but not limited to them, does raise serious issues and concerns for the neutrality of the treaty,*" George Mason University law professor Eugene Kontorovich, a research fellow at the conservative Heritage Foundation, said at the hearing.

The automatic renewal of CK Hutchison's concession at the ports in 2021 sparked criticism in both the U.S. and Panama because of ***favorable financial terms for the firm.*** But no concerns were raised about security at the time.

"*Hutchison Port Holdings operates hundreds of ports around the world, including in the U.S... If these ports threaten U.S. security, why don't they terminate Hutchison's contracts in their country?*" Julio Yao, one of Panama's advisors when it signed the neutrality treaty, wrote in a recent op-ed published in a local newspaper. "*The U.S. cannot force Panama to review or terminate contracts with Chinese companies.*"

Yao, a specialist in international relations, said arguments for an intervention are based on amendments in 1978 by the U.S. Senate ***to guarantee the U.S. defense of the canal against any threats.*** Panama should not recognize those amendments, he told Reuters.

The eight-paragraph treaty and its annexes do not include a provision over the resolution of disputes or an expiration date.

## Do Higher Canal Tolls Violate Neutrality?

Some U.S. officials have also asserted that an increase in passage fees by the Panama Canal in recent years "**disproportionately affects Americans.**" Over three-quarters of all vessels passing through the canal originate in or are bound for the U.S., but the canal's tolling system does not differentiate by flag, origin or destination.

In the fiscal year that ended in September, the canal reported a 5% decline in its toll revenue to \$3.18 billion following a severe drought. But between 2020 and 2023, the canal's toll revenue had increased almost 26%, its annual reports showed. However, the canal's fee structure is based on reservations by type of vessel and size, combined with auctions for ships arriving without reservations and a variable water surcharge.

**Military vessels from any nation are subject to tolls different from commercial vessels. U.S. military ships have priority of passage.**

The treaty only states that "*tolls and other charges for transit and ancillary services shall be just, reasonable, equitable and consistent with the principles of international law.*"

The U.S. is disproportionately **affected by canal fee raises** mainly "because the U.S. disproportionately utilizes it," commissioner Daniel Maffei from the FMC said at the hearing.

"*We know it is a critical trade corridor, and want to continue to use that corridor and be treated in a fair way,*" he added.

Toll increases have been applied not only by Panama but by other waterways in recent years, including the Suez Canal, amid demand spikes, geopolitical conflicts and adverse weather conditions worsened by climate change, shipping experts have warned.

"*The U.S. no longer operates a fleet of commercial vessels. Less than 10% of all cargo arriving or leaving the U.S. in the 60s were American-flagged. Now it is 1.5%,*" said former U.S. ambassador to Panama, John Feeley, in a TV interview last week, adding that Panama's toll raise has mainly been triggered by its use of freshwater, equally affecting all ships.