In Support of the Isthmus: Countering China’s Designs on Panama

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The Panama Canal is a vital strategic interest. However, whether the United States or China will have the upper hand there remains to be determined. The future alignment of Panama is dependent upon which nation understands the isthmian nation’s enormous strategic importance and invests accordingly. Since the US relinquished control of the canal in 2000, the People’s Republic of China (PRC) has deliberately invested in Panama’s infrastructure, cultivated diplomatic relations, and achieved several strategic agreements. Canal taxes, tourism, and international banking all provide Panama revenue, but this geographically strategic nation will always require significant foreign investment. The United States should not forfeit its historic relationship with Panama, nor should it abdicate that role to China.

Panama’s geography has always drawn the attention of rising global powers. The canal started as a Spanish dream, became an English survey, grew into a French attempt, and eventually became the world’s greatest civil-engineering feat, an American gift to the world.\textsuperscript{i} Just as it benefited the world by uniting markets, the US-administered Canal Zone also served as the lynchpin of American hemispheric defense and international power projection from its opening in 1914 through the Cold War.\textsuperscript{ii} In the 1970s, the Carter-Torrijos Treaty started the transition back to the Panamanians.\textsuperscript{iii} In 1989 the US briefly reasserted control, when George H. W. Bush ordered a military invasion to remove the dictator-general Manuel Noriega, ushering in a previously elected democratic government.\textsuperscript{iv}
Panama has managed a profitable canal and developed a growing economy since the full US withdrawal in 2000, but the Chinese have increasingly sought to bring both the canal and the Panamanian government under their influence. Over eighty percent of Panama’s total revenue comes from the services industry, with the remainder from canal taxes, tourism, international banking, and even the illicit drug trade. China’s efforts include its purchase of the ports and shipping companies on either end of the canal, as well as increased diplomatic ties. In 2017, the PRC succeeded in severing Panama’s longstanding trade relationship with Taiwan. Then Xi Jinping conducted a state visit in 2018 and secured bilateral agreements for trade, economic investment, and infrastructure development. However, Panama altered its plans for Chinese construction projects, and reneged on a Chinese Embassy deal shortly after a separate visit from US Secretary of State Mike Pompeo. That same year, in an unrelated incident, the US Ambassador to Panama resigned in protest against President Trump.

The Biden Administration must reassert the importance of US – Panamanian relations and warn the PRC against undue influence. It can do so by appointing an ambassador, connecting Panama to its Central American Development plan, and establishing a twenty-first century Monroe Doctrine. If not, the PRC has already demonstrated how it exploits nations for strategic geography. The US must reassert its interest in the isthmus to support the Panamanian economy, Panama’s future as an independent democracy, and continued international access to the canal.


