

# Are Panama and Trump on a collision course over the Canal?

US President Trump has threatened to take back control of the Panama Canal - can the two sides avoid battle for control of the key waterway?

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US Secretary of State Rubio visits the Panama CanalCredit: Official State Department photo by Freddie Everett

The first weeks of the Trump administration in the [US](#) have been marked by an aggressive foreign policy stance including on the control of the Panama Canal and perceived [Chinese](#) influence over the key waterway.

President Donald Trump's statement during his inauguration speech on Capitol Hill that the [Panama Canal](#) was under Chinese control and the US wanted to take it back, was not wholly unexpected as he had said something similar a month earlier, but it was a remarkable statement of intent in his first few hours in office.

Two weeks later this has been followed by the first overseas visit by new US Secretary of State Marco Rubio to [Panama](#).

The visit included a meeting between Secretary Rubio and Panama President José Raúl Mulino and Foreign Minister Javier Martínez-Acha. The statements of the two parties following the meeting showed a very different reading of what had been discussed, even if one takes into account both sides message being tailored for their domestic audiences.

Panama's President Mulino told reporters that the US State Department Secretary visit "made no real threat of retaking the canal or use of force".

Meanwhile readout from the US State Department spokesperson Tammy Bruce stated that Rubio told Mulino: "President Trump has made a preliminary determination that the current position of

influence and control of the Chinese Communist Party over the Panama Canal area is a threat to the canal and represents a violation of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal. Secretary Rubio made clear that this status quo is unacceptable and that absent immediate changes, it would require the United States to take measures necessary to protect its rights under the Treaty.”

**Related:** [Panama rejects Trump promise to take back Panama Canal](#)

The US State Department readout makes it very clear it is expecting action from Panama, but the question is what action can President Mulino reasonably take on such a contentious issue?

The events of the last 48 hours with the US announcing 25% tariffs on neighbours Mexico and Canada and then pausing them for 30 days after both countries agreed to increased border measures does show Trump is willing to back down from the harshest measures if the other side gives him what he wants. However, Panama does not have the leverage to hit back in the way that Canada and Mexico did with counter tariffs.

There are a number of different areas here – perceived Chinese control of the canal, the cost to the US of using the strategic waterway, and illegal migration.

### **Chinese control?**

The issue of Chinese control is difficult and Mulino said he would not renew and could end Panama’s participation in a Memorandum of Understanding signed with China on the Belt and Road Initiative and has initiated a revision of Hutchison Port’s concession on both ports, Balboa and Cristobal.

The Trump administration has highlighted what it believes is the potential for China to shut the Panama Canal through the ports controlled by the Hong Kong company in times of conflict. The only way to remove this perceived threat would be to cancel the concessions with Hutchison which would likely prove extremely costly given the terminal operator has invested around \$2 billion in the two port facilities and it would be breaking a contract-law that has over 20 years to run on it.

There would then be a question of who would be acceptable to the Trump administration to operate the terminals instead, the US not being exactly flush with its own international terminal operators. It would also require a new international tender to find an operator to replace Hutchison at the two terminals.

The US is also seeking an “improved investment climate and ensuring a level playing field for fair competition by US firms”.

A statement last week by new Federal Maritime Commission Chairman Louis E. Sola to the Senate Committee on Commerce, Science, and Transportation – Fees and Foreign Influence : Examining the Panama Canal and Its Impact on US Trade and National Security, said that Chinese companies, “...must not be the sole bidders on contracts. Improving the resiliency of the Panama Canal will require significant engineering and construction work. US firms can and should be at the top of the list of bids considered.”

This could prove to be a delicate balancing act for the Panama authorities.

### **Transit fees**

The second area is fees charged to US vessels, including naval ships, using the Canal.

In a visit by Secretary Rubio to observe operations of the Canal the Panama Canal Authority conveyed its intention to work with the US Navy to optimise transit priority of US Navy vessels through the Panama Canal.

The US is also the largest user of the canal in terms of origin and destination ports – some 52% of all transits in 2024. However, much of this traffic moves on international flagged and owned vessels, indeed some of it Chinese controlled such as [Cosco Shipping](#) and [OOCL](#), so prioritising this traffic or providing some level of discount on transit fees would be complex.

### **Illegal migration**

On the issue of illegal migration there appears to be the most common ground. Following the meeting with President Mulino the US State Department said, “Secretary Rubio also emphasized the importance of collaborative efforts to end the hemisphere’s illegal migration crisis and thanked President Mulino for his support of a joint repatriation program, which has reduced illegal migration through the Darien Gap.”

The move by Trump to pause tariffs on China and Mexico shows a potential way forward for Panama in regard to the issue of control of the Panama Canal, but the "wait and see" stance might not be the option.

The next moves are likely to become clearer in the coming days with Trump has announcing on Monday that he will have a telephone conversation with President Mulino next Friday to address Canal issues and the Chinese presence.