



THE GORDON CHANG REPORT

PRESENTED BY THE
PACIFIC RESEARCH INSTITUTE

VOLUME 1, NO. 8

China and America: The War Over the Panama Canal

by Gordon G. Chang | February 2025

“If the government in China in a conflict tells them to shut down the Panama Canal, they will have to,” said Secretary of State Marco Rubio to SiriusXM’s Megyn Kelly on January 30, referring to Chinese businesses in the Canal Zone. “And in fact, I have zero doubt that they have contingency planning to do so. That is a direct threat.”¹

Just days before embarking on his first foreign trip as America’s top diplomat, Rubio revealed what is at stake in areas close to America’s vulnerable homeland.

Rubio’s itinerary—he visited Panama and four Central American and Caribbean nations—confirms that President Donald Trump is shifting the focus of American foreign policy from faraway lands to the Western Hemisphere.² That’s a good move because Washington urgently needs to shore up, and in some cases fix, relations with countries nearby.

China, in countries close to America, has become more influential than the United States. Previous American presidents—Trump 45 included—did not pay much attention to the hemisphere. Trump 47, however, is determined to take on Beijing in the so-called “backyard.” State Department spokesperson Tammy Bruce said in a January 31 statement that one of Secretary Rubio’s “core, shared interests” with the region is “countering China.”³

Panama, Rubio’s first stop, is of particular interest due to Trump’s attention-grabbing comments. “Merry Christmas to all, including to the wonderful soldiers of China, who are lovingly, but illegally, operating the Panama Canal,” wrote the then president-elect on December 25 on Truth Social.⁴

Panama’s reaction was swift. “There is not a single Chinese soldier in the canal,” President Jose Raul Mulino said at a press conference the following day.⁵

In fact, there are no uniformed People's Liberation Army soldiers now stationed in the Canal Zone. Almost certainly there are Chinese operatives and military personnel in civilian garb there, however. The canal, as Rubio told Kelly, is a chokepoint that Beijing wants to control—and close off—at a moment of its choosing.

Soldiers or no soldiers, Trump is adamant. “The purpose of our deal and the spirit of our treaty has been totally violated,” he said in his second inaugural address, referring to the treaty by which the United States turned the Canal Zone over to Panama. “China is operating the Panama Canal.”⁶

Panama denies the charge and has been telling the world not to worry. “There is absolutely no Chinese interference or involvement in anything that has to do with the Panama Canal,” Mulino also stated in his post-Christmas comments. “There are no Chinese at the canal, no Chinese nor any other world power at the canal.”⁷

That statement is clearly false. Due to its presence in the Canal Zone, China's regime is certainly embedded there. For example, CK Hutchison Holdings, through its stake in Panama Ports Company, operates a port in Balboa, at the Pacific end of the canal, and in Cristobal, at the Atlantic end. Hutchison, not surprisingly, is the biggest port operator in the zone. The Panama Maritime Authority renewed Hutchison's 25-year concession to the two ports in June 2021.

Hutchison is a part of a publicly-owned Hong Kong company, but Hong Kong is part of the People's Republic of China and in the Communist Party's system no entity inside its borders can ignore or disobey its orders.

In times of war, therefore, the People's Liberation Army would take control of facilities such as Hutchison's. “I was just in Panama about a month ago and flying along the Panama Canal and looking at all the state-owned enterprises from the PRC on each side of the Panama Canal,” said General Laura Richardson, then head of the U.S. Southern Command, in July 2022 at the Aspen Security Forum. “They look like civilian companies or state-owned enterprises that could be used for dual use and could be quickly changed over to a military capability.”⁸

“There are numerous ways a knowledgeable actor such as the People's Republic of China, its companies, and agents could temporarily shut down the canal,” R. Evan Ellis, professor of Latin American Studies at the U.S. Army War College, told me in January. “The risk does not come so much from the physical control of ports on both sides of the canal but rather the knowledge and access that comes from China's significant commercial and other activities across Panama.”⁹

Moreover, China is embedded in the zone's infrastructure, including telecommunications systems supplied by Huawei Technologies as well as surveillance cameras and other equipment provided by Hikvision.

Furthermore, China is building infrastructure in the zone. The fourth bridge over the canal, which China is now in the early stages of constructing, gives Beijing an easy way to block canal traffic. So far, there are only abutments, but soon there will be a completed span over water. As war correspondent Michael Yon noted in comments to me, the Chinese can design or construct the structure so that it can be easily brought down into the waterway.¹⁰

**Due to its presence in the Canal Zone,
China's regime is certainly
embedded there.**

“Let’s recall what happened when a container ship lost power and hit a pier of the Francis Scott Key bridge in Baltimore harbor last March,” Yon said. “The port was closed off while cranes freed the ship and removed steel and concrete out of the channel. Now imagine what would happen if the Chinese rammed a bridge or a canal lock in Panama.”¹¹

As Ellis points out, “the greater the access and knowledge the adversary has, in a crowded transit space with numerous possible targets, the harder it is to protect against every contingency all the time.”¹²

There are, despite experienced Canal Zone pilots, accidents in peacetime. There will be many more of them when a hostile party tries to cause havoc.¹³

And China will certainly try to do that. The U.S. Navy, in anticipation of a war in East Asia, would use the canal to move ships and submarines from the Atlantic to the Pacific fleets. An incident in the waterway, as Ellis warns, could be an early indication—perhaps the first one—that China intended to use force against Taiwan or some other target. Consequently, the next global war might start with an “accident” in the Canal Zone.¹⁴

“An argument could be made that the terms under which that canal were turned over have been violated,” Rubio told the Senate Foreign Relations Committee at his confirmation hearing in January. “Because while technically sovereignty over the canal has not been turned over to a foreign power, in reality a foreign power today possesses, through their companies which we know are not independent, the ability to turn the canal into a choke point in a moment of conflict, and that is a direct threat to the national interest and security of the United States.”¹⁵

The new secretary of state is right. China’s regime, however, is not trying to conceal plans. As Yon says, “The Chinese do not hide their actions or intentions to conquer the hemisphere.”¹⁶

Rubio obtained a symbolic but nonetheless important concession from Panama: A statement from President Mulino that his country would not renew its 2017 Belt and Road agreement with China.

What more can the United States do? The U.S., of course, can strongarm Panama into forcing Chinese businesses out. A more enduring solution, however, is for U.S. port operators and manufacturers to locate to Panama. China took over the Canal Zone not with soldiers but with men and women in business attire carrying checkbooks. Why can’t the United States do the same, especially if it is considered, as it is now, a national priority?

Significantly, Rubio on his initial tour visited, in addition to Panama, Guatemala, El Salvador, Costa Rica, and the Dominican Republic. These four states are signatories of the Dominican Republic-Central America-United States Free Trade Agreement.

CAFTA-DR, as the pact is known, has not been a success since it came into force in 2006. “The refusal to prioritize the region up to now is the main reason that the Central America free trade agreement is failing,” Washington, D.C.-based trade expert Alan Tonelson told me in January. “We have paid no attention to the goal of making sure that the benefits have been channeled to CAFTA-DR countries.”¹⁷

Benefits would flow to the region if the U.S. focused on granting even more preferential access for goods made in CAFTA-DR parties. Manufacturers of

**Buying from factories in Central America
would improve U.S. security.**

low-cost items in that case would move there from, for instance, China. “Near-shoring” and “friend-shoring” are already occurring, but at a pace slower than they should. According to an Inter-American Development Bank internal study from the turn of the decade, Latin American producers each year could replace up to \$80 billion of America’s imports from China.¹⁸ Many countries in the region, however, are missing opportunities to woo factories from the west side of the Pacific.

Buying from factories in Central America would improve U.S. security. For one thing, America would no longer be funding a militant Chinese regime. As important, America would be blunting China’s influence close to home. Washington does not need more Chinese-dominated societies like Panama.

Moreover, increased trade, by bringing prosperity to the CAFTA-DR region, would encourage people there to not join the caravans heading to the United States. “If we are going to control immigration then we have to, among other things, take a more strategic view of global trade flows,” says Tonelson, who blogs on trade and geopolitical issues at RealityChek.¹⁹

This brings us to Secretary Rubio’s other major agenda item for his tour: stopping desperate humans trekking up through Central America to America’s southern border. “Mass migration is among the most consequential issues of our time,” he wrote in an internal memorandum issued on his first day as secretary of state. “The era of mass migration must end.”²⁰

“Our diplomatic relations with other countries, particularly in the Western Hemisphere, will prioritize securing America’s borders, stopping illegal and destabilizing migration, and negotiating

the repatriation of illegal immigrants,” Rubio announced in a January 22 statement. The State Department, he said, “will no longer undertake any activities that facilitate or encourage mass migration.”²¹

The Biden administration paid for infrastructure in Panama along Highway 1, especially the San Vicente Camp, which housed those who had just crossed the dangerous Darien Gap on their way to the U.S. Migrants from South America take one of three routes into the Gap, a strip of jungle about 70 miles long, covering northern Colombia and southern Panama. The Pan-American Highway does not run through the area, which separates Central America from South America.

China, Michael Yon reports, has just started building a road through Darien, and that will facilitate the flow of migrants coming to America, undermining Trump’s efforts. “As we speak, the Americas are being connected through the Darien Gap,” Yon told me.²² Trump may not have gotten all his facts straight, but he is right that Panama, which portrays itself as a friend of the United States, has allowed China to use its territory to become a threat.

President Mulino on January 30 said there can be no negotiation over the Canal Zone’s sovereignty.²³ For the Trump administration, there can be no negotiation over America’s security.

Gordon G. Chang is the author of *Plan Red: China’s Project to Destroy America* and *The Coming Collapse of China*. Follow him on X @ GordonGChang.

A more enduring solution... is for U.S. port operators and manufacturers to locate to Panama. China took over the Canal Zone not with soldiers but with men and women in business attire carrying checkbooks. Why can’t the United States do the same?

ENDNOTES

- 1 Matt Spetalnick, “Rubio Warns of Risk of China Shutting Down Panama Canal in Any Conflict,” Reuters, January 30, 2025, <https://www.reuters.com/world/americas/rubio-warns-risk-china-shutting-down-panama-canal-any-conflict-2025-01-30/>. For more, see Victor Nava, “Marco Rubio Declares Trump’s Interest in Greenland and Panama Canal ‘Is Not a Joke,’” *New York Post*, January 30, 2025, <https://nypost.com/2025/01/30/us-news/marco-rubio-says-trumps-interest-in-greenland-and-panama-canal-is-not-a-joke/>.
- 2 Abigail Williams and Andrea Mitchell, “A Man, a Plan, a Canal: Rubio’s First Trip as Secretary of State Will Take Him to Panama,” NBC News, January 23, 2025, <https://www.nbcnews.com/politics/national-security/man-plan-canal-rubios-first-trip-secretary-state-will-take-panama-rcna189020>.
- 3 Tammy Bruce, “Secretary Rubio’s Travel to Panama, El Salvador, Costa Rica, Guatemala, and the Dominican Republic,” U.S. Department of State, January 31, 2025, <https://www.state.gov/secretary-rubios-travel-to-panama-el-salvador-costa-rica-guatemala-and-the-dominican-republic/>.
- 4 @realDonaldTrump, Truth Social, 2:43 PM on December 25, 2024, <https://truthsocial.com/@realDonaldTrump/posts/113715171941661598>.
- 5 Mike Wendling, “Panama’s President Calls Trump’s Chinese Canal Claim ‘Nonsense,’” BBC, December 26, 2024, <https://www.bbc.com/news/articles/c8rj11ne68eo>.
- 6 “The Inaugural Address,” White House, January 20, 2025, <https://www.whitehouse.gov/remarks/2025/01/the-inaugural-address/>.
- 7 Michael McDonald, “Panama President Refutes Trump’s Claim of Chinese Meddling in Canal,” BNN Bloomberg, December 26, 2024, <https://www.bnnbloomberg.ca/business/international/2024/12/26/panama-president-refutes-trumps-claim-of-chinese-meddling-in-canal/>.
- 8 Alexander Ward and Quint Forgey, “Western Fighter Jets Heading to Ukraine?” Politico, July 20, 2022, <https://www.politico.com/newsletters/national-security-daily/2022/07/20/western-fighter-jets-heading-to-ukraine-00046854>.
- 9 R. Evan Ellis, e-mail message to author, January 3, 2025.
- 10 Michael Yon, Signal interview by author, January 1, 2025.
- 11 Michael Yon, Signal interview by author, January 1, 2025.
- 12 R. Evan Ellis, e-mail message to author, January 3, 2025.
- 13 Michael Yon, Signal interview by author, January 1, 2025.
- 14 R. Evan Ellis, e-mail message to author, January 3, 2025.

- 15 “Marco Rubio Confirmation Hearing,” Senate Foreign Relations Committee, January 15, 2025, <https://www.foreign.senate.gov/hearings/nominations-01-15-2025>.
- 16 Michael Yon, Signal text message to author, January 22, 2025.
- 17 Alan Tonelson, telephone interview by author, January 31, 2025.
- 18 Andres Oppenheimer, “Latin American Nations Should Be Luring Factories From China. But Most Are Asleep at the Wheel,” *Miami Herald*, November 17, 2020, <https://www.miamiherald.com/news/local/news-columns-blogs/andres-oppenheimer/article247180076.html>.
- 19 Alan Tonelson, telephone interview by author, January 31, 2025.
- 20 Williams and Mitchell, “A Man, a Plan, a Canal: Rubio’s First Trip as Secretary of State Will Take Him to Panama.”
- 21 Marco Rubio, “Priorities and Mission of the Second Trump Administration’s Department of State,” U.S. Department of State, January 22, 2025, <https://www.state.gov/priorities-and-mission-of-the-second-trump-administrations-department-of-state/>.
- 22 Michael Yon, Signal text message to author, January 22, 2025.
- 23 Alma Solis, “Panama’s President Says There Will Be No Negotiation About Ownership of Canal,” Associated Press, January 30, 2025, <https://apnews.com/article/panama-canal-us-rubio-mulino-a3b1ccdf2fe1b0e957b44f1cf7a9fcfe>.



www.pacificresearch.org

MAILING ADDRESS

PO Box 60485
Pasadena, CA 91116

Tel 415-989-0833

SACRAMENTO OFFICE

2110 K Street, Suite 28
Sacramento, CA 95816
Tel 916-389-9774

PASADENA OFFICE

680 E. Colorado Blvd., Suite 180
Pasadena, CA 91101
Tel 626-714-7572

CONNECT WITH US

 facebook.com/pacificresearchinstitute

 [@pacificresearch](https://twitter.com/pacificresearch)

 youtube.com/pacificresearch1

 www.linkedin.com/company/pacific-research-institute

 [pacificresearchinstitute](https://instagram.com/pacificresearchinstitute)