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Panama and Beyond: The
Geopolitics of Ports

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Executive Summary

- ✦ Latin American ports have become central to US–China competition due to their role in global trade and chokepoints like the Panama Canal.
- ✦ Panama’s cancellation of a Chinese-linked port deal and shift to Western operators reflects growing geopolitical pressure.
- ✦ China responded with informal economic pressure including shipping disruptions and increased inspections of Panamanian vessels.
- ✦ Projects like Peru’s Chancay port show China expanding long-term influence while raising US concerns over strategic control.
- ✦ China’s port investments are part of a wider strategy to secure supply chains and strengthen global trade networks.
- ✦ Control over ports provides access to data and influence over shipping routes and logistics systems.
- ✦ Ports are increasingly seen as strategic assets with potential economic and security implications in great power rivalry.
- ✦ The contest over ports reflects a broader struggle for influence and leadership in the global economic order.

Key Picture: Panama Canal Dispute



Source: [Atlantic Council](#)

Strategic Ports and Great Power Competition in Latin America

Ports across Latin America, especially those near the Panama Canal and along the Pacific coastline, have emerged as key focal points in the competition between the United States and China, given that they lie at the crossroads of global trade routes, supply chain dominance, and geopolitical power.¹ UN Trade and Development characterises the Panama Canal as a critical global maritime chokepoint, cautioning that strain on these chokepoints can interrupt trade flows, increase costs, and change shipping routes.² Because ports secure access to these routes, their importance extends beyond commerce into the strategic realm. In Panama, the maritime sector is increasingly shaped by the rise of Chinese influence and intensifying US–China competition, highlighting how port infrastructure in the region has become embedded in broader geopolitical rivalry between the two countries.³

In January 2026, Panama’s Supreme Court ruled that the long-standing concession granted to Hong Kong-based CK Hutchison (through its subsidiary Panama Ports Company) to operate the Balboa and Cristóbal ports was unconstitutional, effectively voiding contracts that had been in place since the 1990s.⁴ This decision was formally enacted on 23 February 2026, legally cancelling the concession.⁵

This recent cancellation of a Chinese-linked port concession in Panama and the transfer of operations to Western firms such as Maersk can be understood as a clear manifestation of intensifying US–China geopolitical competition over strategic infrastructure.⁶ Balboa and Cristóbal ports are crucial because they handle cargo moving through one of the world’s most important shipping routes.⁷ The shift of control to Western shipping operators, including Maersk’s terminal arm, signals a move away from Chinese-linked involvement.⁸

Consequently, although the decision was officially based on legal and constitutional grounds⁹, it is widely seen as part of a broader geopolitical struggle. The United States has grown increasingly concerned about China’s role in managing strategic infrastructure near the canal, fearing it could give Beijing leverage over global trade routes,¹⁰ with China having invested heavily in ports worldwide as part of its global trade strategy.¹¹

Given these considerations, unsurprisingly, China reacted strongly to the cancellation, highlighting the broader geopolitical tensions behind what might otherwise appear to be a commercial dispute. Officials and business groups linked to Hong Kong criticised the decision and warned of consequences, reflecting Beijing’s concern over losing influence in a strategically important location.¹² In addition, China stated it would “firmly protect the company’s legitimate and lawful rights and interests”, signalling possible retaliatory action tied to Chinese companies affected by the takeover.¹³

Indirect Economic Pressure and Commercial Signals

While China issued strong diplomatic protests and warned of consequences, most responses appear to have taken the form of informal economic pressure, such as disruptions to investment¹⁴ and shipping activity¹⁵, rather than clearly documented, formal trade sanctions on specific goods. For example, a major Chinese state shipping firm, COSCO, suspended operations at a key Panama Canal port, a move seen as linked to the dispute.¹⁶

Additionally, reports indicate heightened inspections and detentions of Panamanian-flagged vessels in Chinese ports, disrupting shipping flows. From March 8 to 12, Chinese port authorities held 28 ships flying the Panamanian flag, making up 75.7% of all vessel detentions in the country during that time. This marks a significant shift from past patterns. Since January 2025, no previous five-day period had

seen more than 11 Panamanian vessels detained. This indicates the inspections were not routine fluctuations but a targeted surge.¹⁷ Indeed, industry sources state the inspections were intended to “ramp up pressure” on Panama.¹⁸

Peru And Beyond: Expanding Chinese Port Influence In Latin America

This strategic competition is not limited to Panama but extends across Latin America, with Peru serving as a key example. A major development is the Port of Chancay, a large-scale deep-water megaport in north of Lima by COSCO Shipping, a Chinese state-owned enterprise. The project - worth over \$3.6 billion - is designed to become one of the most important logistics hubs on South America’s Pacific coast, capable of handling large container ships.¹⁹ As part of China’s broader global infrastructure strategy, the port has also been linked to the Belt and Road Initiative²⁰, highlighting Beijing’s long-term investment in overseas trade networks.

Projects like Chancay serve as a gateway for South American exports by creating faster and more direct links to Asian markets. The port is intended to become a key gateway between Asian and South American markets and a major regional logistics hub, with shorter shipping times and lower transport costs.²¹ Politically, the opening of the Chancay port represents a major step forward in China’s expanding presence in Latin America. As South America’s first “smart port”, it has heightened US worries over Beijing’s increasing economic and strategic influence in Latin America.²²

Why Ports Matter in The US-China Rivalry

Ports are at the centre of global trade, making them highly strategic assets in the growing competition between the United States and China. The vast majority of global goods move by sea, and key maritime chokepoints, such as the Panama Canal, are essential for linking Asian manufacturing hubs with consumer markets in the Americas. Maritime transport carries around 80% of global trade by volume, emphasising how control over ports directly impacts the flow of goods and supply chains.²³

This gives port operators and investors significant structural influence. China has systematically expanded its role in global port infrastructure through the Belt and Road Initiative²⁴, financing and operating terminals across multiple regions, including Latin America. These investments are not just commercial - they allow China to secure supply chains, support exports, and embed its companies at critical points in global logistics. This creates long-term dependencies, particularly in developing regions where infrastructure financing options are limited.

For the United States, the concern appears to be less about individual ports and more about the cumulative effect of this expansion. US policymakers increasingly view Chinese involvement in port infrastructure as a potential source of geopolitical leverage²⁵, especially in regions traditionally within the US sphere of influence.

Additionally, China’s interest in global ports, particularly in Latin America, appears to have evolved from early commercial investments into a much broader strategic plan. Control or influence over ports can provide China with access to valuable commercial data, the ability to shape shipping routes, and potential leverage over supply chains in both peacetime and crisis situations. There are also concerns about dual-use infrastructure, as some Chinese-backed ports have been built to accommodate military vessels or could support naval operations if needed. In regions like Latin America, this raises alarms in Washington about intelligence risks, economic dependence, and the possibility of power projection close to the United States. While outright military use remains unlikely in most scenarios, the

combination of economic influence, logistical control, and potential security applications means that China's expanding port network is increasingly viewed as a key element of its global strategic ambitions.²⁶

As such, developments in Panama and Peru illustrate how ports in Latin America have become key arenas in general US–China competition, where infrastructure is increasingly tied to geopolitical rivalry. Panama's decision to cancel a China-linked port concession and shift operations to Western firms, alongside China's strong diplomatic and economic response, highlights how even commercial port agreements can trigger strategic tensions. At the same time, projects like Chancay in Peru illustrate how China is building long-term influence through infrastructure. Together, these cases demonstrate that ports are no longer just logistical hubs, but strategic assets through which both the United States and China seek to secure a stronger position in global leadership.

NOTES

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