

Panama Canal

Administration Actions:

It was announced that Secretary of State Marco Rubio will visit Panama as part of his first trip abroad since being confirmed by the Senate. *President Trump has stated that the Panama Canal is “vital” to America’s national security, noting “We didn’t give it to China, we gave it to Panama and we’re taking it back.”*

Background:

- The Panama Canal was built by the U.S. between 1904 and 1914. The canal was leased to the U.S for nearly 75 years under the Hay–Bunau-Varilla Treaty of 1903 which established the Panama Canal Zone and the subsequent construction of the Panama Canal.
 - Under this treaty, the U.S. received rights to the canal zone in perpetuity, and Panama received a payment of up to \$10 million (\$358 million in 2025 dollars) and an annual rental payment of \$250,000 (\$8.9 million in 2025 dollars).
 - A staggering 25,000 workers lost their lives building the canal
 - The U.S. Panama Canal Zone had its own government, court system, schools, police force, and fire department but was not sovereign U.S. territory under the agreement which instead gave the U.S. rights over usage and control of the zone.
- In 1977, President Jimmy Carter signed the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal and the Panama Canal Treaty to return the canal to Panama under the condition that it would be free for any nation to use.
 - These treaties gave the U.S. the permanent explicit right to intervene to keep the canal open in the event of any threat that may interfere with the canal’s continued neutral service to ships from all nations.
 - *President Trump has stated that the treaties were “a bad part of the Carter legacy” and a “disgrace.”*
- The Panama Canal currently contributes to 7.7% of Panama’s GDP.
 - About 5% of global maritime traffic passes through the Panama Canal, saving 6,835 miles off a journey that would otherwise require a long and dangerous trip skirting the southern tip of South America.
 - The United States is Panama’s largest provider of foreign direct investment—\$3.8 billion annually.
- Chinese companies now operate ports at both ends of the canal.
 - Chinese construction companies in 2018 funded a \$1.4 billion bridge project spanning the canal.

- China Construction Americas has also [completed](#) the construction of the Amador Convention Center located on the Pacific side of the canal which was funded by loans from the Chinese government.
- China has invested in energy-related facilities along the canal.
- China has also [used](#) water management efforts to gain a foothold in the Panama Canal Zone, including announcing a plan in September 2020 to establish a water management system which would impact local access to water for the next 50 years.
- Panama has raised transit fees significantly for ships traveling through the canal. In part, these fee increases are a response to [droughts](#) in 2023 and early 2024, which restricted the number of ships that could transit the canal.
 - The Panama Canal Authority also [increased](#) transit reservation fees for 2025 from \$41,000 to \$50,000 for Panamax lock transits for "Super" category vessels, including MR tankers. Neopanamax lock transit reservation fees will climb from \$80,000 to \$100,000.
 - President-elect Trump has [stated](#) that if Panama does not reduce its “exorbitant” transit fees, “then we will demand that the Panama Canal be returned to the United States.

Enforcing the Panama Canal Treaty

- President Trump has stated his intent to vigorously enforce the provisions of the Panama Canal treaties, [noting](#) the canal “was given to Panama and to the people of Panama, but it has provisions — you’ve got to treat us fairly. And they haven’t treated us fairly.”
- Panama may be breaching select provisions of these treaties.
 - The treaties [require](#) that transit fees be “just, reasonable, equitable, and consistent with international law” and that Panama maintain the canal’s permanent neutrality.
 - The high fees charged by Panama, as well as Panama’s openness to investment by the Chinese Communist Party in the canal zone, are both likely in breach of the terms of the treaties.
 - Greg Curley of the Atlantic Council [notes](#) China’s increasing role on the island breaches the neutrality clauses so significantly that “the United States may be justified in taking preemptive action.”
- Congress has given multiple authorities to the President to impose economic sanctions, tariffs, and visa bans in response to a national security threat.
 - The [International Emergency Economic Powers Act of 1976](#) [gives](#) the President the authority to regulate international commerce, block assets, confiscate property in response to an "unusual and extraordinary threat... to the national security, foreign policy, or economy of the United States.”
 - [Section 232 of the Trade Expansion Act of 1962](#) [gives](#) the President broad legal authority to impose tariffs on goods in the national security interests of the United States.