



By: Tomorrow's Affairs Staff

If there are disruptions in the Panama Canal, Trump will be responsible for them



One year after shipping disruptions occurred on one of the busiest maritime corridors, the Red Sea and the Suez Canal, disruptions to another crucial hub for global trade, the Panama Canal, are now emerging.

Donald Trump, who will take office as US president in less than a month, appears to be a disruptive factor for shipping through the Panama Canal, a corridor on whose transit the American economy depends most.

Trump gave his supporters in Arizona on Sunday what they have been accustomed to hearing for years—sharp, almost combative **promises** of a populist defence of American interests. However, there are many reasons why he cannot fulfil this promise with regard to the Panama Canal and, above all, its return under the control of the US.

The next US president is upset about what he calls the "ridiculous" and "highly unfair" tariffs that Panama charges for ships to pass through. "This complete rip-off of our country will immediately stop."

His pressure is aimed at the Panama government, which, under a 1977 **agreement** with the US, has controlled the canal since 1999. This aspect of Trump's policy could remain an area in which the US will continue to exert pressure on the canal operator.

The second aspect, i.e., the threat to put the canal back under US control, is completely empty. Furthermore, military intervention is the only way to achieve it.

Neutrality of navigation regime

The US handed over the Panama Canal for management following the agreement between President Jimmy Carter and then-Panama leader Omar Torrijos in 1977, which went into effect on 1 January 2000. The agreement guaranteed the canal's neutrality.

Panama has proven to be a reliable operator that adheres to the agreed neutrality

Since then, Panama has proven to be a reliable operator that adheres to the agreed neutrality and has also invested more than USD 5 billion in the construction of a new series of locks, which have been in operation since 2016.

Trump's remarks (and promises) regarding the Panama Canal are part of a wave of announcements he has made about a series of US policy changes when he takes office on 20 January.

They are tailored to reflect Trump's determination to change the US's position in global trade, which he believes is unduly undervalued and often to its detriment.

Resistance from Panama

However, the response from Panama was swift and left minimal room for confusion. The centre-right president, José Raúl Mulino, said that "every square metre" of the canal and its surroundings belong to Panama and that the country's independence and sovereignty are non-negotiable.

President Mulino is an important obstacle standing between Trump's announcements and threats, as he has only just taken office (on 1 July) and has the ambition to show statesmanlike behaviour right from the start of his term.

Panama and its leader are likely to be under pressure from the new US president over tariffs on the passage of ships

He faces numerous problems in the country, ranging from the hundreds of thousands of migrants entering the US from South America through Panama to the **functioning** of the canal, which has been suffering from drought

for several years.

But while it is unlikely that Trump will make progress on his threat to take over the canal, Panama and its leader are likely to be under pressure from the new US president over tariffs on the passage of ships for much longer.

Economic obstacles to Trump's threats

The American economy is by far the biggest user of the canal. According to statistics from the Panama Canal Authority (ACP), up to 75% of the cargo that passed through this waterway last year went to or came from the US. Around 40% of all container traffic in America uses the Panama Canal for transit.

For Trump, the canal is an integral part of his broader strategy of confrontation with China, which is why he is unlikely to relinquish his push for lower prices for passing through it.



Trump's strategy regarding the Panama Canal will encounter the greatest economic obstacles if he sticks to it at all

China is expanding its economic influence in Latin America, including in Panama, where Chinese companies operate two of the five main ports—Balboa and Cristobal. The US is growing increasingly concerned about the potential compromise of the Panama Canal's neutrality, a development that would be unacceptable for US economic and political interests.

This would also be unacceptable for its

security interests, given that the significant presence of Chinese entities in the Canal region raises the possibility of monitoring and espionage of American military and logistical operations in that area.

However, Trump's strategy regarding the Panama Canal will encounter the greatest economic obstacles if he sticks to it at all.

A potential tightening of conditions for US navigation through the canal could force shippers to reroute their operations and transport goods to and from America via bypass corridors, leading to an increase in transport costs that the US economy would bear.

In this scenario, Trump would be perceived as someone who has disrupted and not contributed to the US economy, the exact opposite of what won him votes for his new term.