

# Geopolitics of Strategic Maritime Chokepoints and Policy Drift in the International System: A Study of the Panama Canal



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## Abstract

*Oceans play a pivotal role in economic growth and development. Its safety and security have been foremost for all countries. In spite of that it also faces several challenges from transnational actors and states as well that disturb freedom of navigation and supply chains. Among others strategic narrow maritime chokepoints, Panama Canal is placed a strategic relevance, which has grown its weight in international system as well, given the presence and influence of China, which scholars, prima facie, claim control it in the region. As a strategic waterway which connect the Atlantic to the Pacific through a narrow channel of communication, the control of this strategic waterway has geopolitical ramifications for region and for the international system. The retaking of the Canal by the United States signals its neighbours and international community that America would protect its interest and economy from the rising powers for regional security. With primary sources and mix method, this study finds that the impact of the Russia-Ukraine conflict has on the international system that push countries to leverage the geopolitical situation and seek to take over what America had previously controlled it and built Panama Canal for regional prosperity. The China threat theory has long been an American election strategy as rival and competitor. The two largest economies have shared future in this complex and interdependent world system. Any change in status quo would have reciprocal damage on global trade and commerce that the shipping routes depend on. The Global South may face ripple effects of US-China potential rivalries in the region.*

**Keywords:** International system, Maritime, Panama Canal, China, America, Trade

## Introduction

Maritime field has been neglected over decades by analysts. In the last four decades and so, this field has captured attention of global community. It is because of the importance of seas and it directly connected to the prosperity and growth of nations. It is also because of status quo change posing challenges to the maritime security. Likewise, oceans well being is explicitly linked with the nation's prosperity. Water covers more than three fourth of the Earth surface. It is crucial in the sense that several nar-

row chokepoints exist naturally or created an artificial waterway to reduce the time and the distance. In this line, various waterways in the form of canals, which were built up by countries, have changed geopolitics of the region and shaped regional maritime order. This appeared to have changed after the opening up of world economies in 1980s, and which subsequently led the growth of canals in the world. It has also become a new ground of contestation between powers. This new geopolitical reality has captured world

wide attention, specially the Trump 2.0 wherein things have changed after that.

According to the Hague Centre for Strategic Studies (2008), given more than 80 percent of international trade is done by sea with over 46,000 vessels, and over 4,000 large points making shipping sector busiest, piracy takes place in largely ungoverned areas and where monitoring is poor (HCSS 2008, 01). Likewise, as per the report of UN Trade and Development, “the global economy, food security, and energy supplies are at increasing risk due to vulnerabilities at key maritime routes, also factors such as geopolitical crisis, climate impacts and conflicts have shaken global trade by threatening the maritime supply chains” (UNCTAD Oct 2024). These variables are pivotal to ensure maritime safety and security. It has also become an arena of maritime trade warfare. According to Christopher J. McMahon (2017), “the idea of maritime trade warfare is to attack or neutralize the commercial shipping of one’s enemy in an effort to disrupt the enemy’s economy, making it more difficult for the enemy to continue waging war by disrupting the enemy’s military supply chain that uses the sea, or both” (McMahon 2017:15).

Among others, the Panama Canal is significant which has received global attention due to the tensions between the US and China, the first and second largest economic powers. The tariffs warfare between the two economies have brought them to the Canal to disrupt and re-shape trade dynamics in the region. Fitch Ratings states that the operation of Panama Canal is guided by the 1977 Neutrality treaty signed between the United States and Panama, which also ensures that it remains neutral, provide a safe and non-discriminatory access (Fitch Ratings 6 May 2025). It also faces challenges, such as drought, that making it difficult often to shipping companies to transit through the Canal. The Panama Canal Authority in the midst of drought challenges adopt several measures to adapt the situation, reduced transit capacity, setting priority in container vessels, rerouting through different routes, adaptative measures, etc (Freight Amigo).

In this light, the study is divided in five sections: the first section offers an account of the importance of maritime choke points and policy drift in American policy, it also underlines the geopolitical relevance of narrow passes for countries and how the uses have increased and what challenges causes their transportation traffics. The second section discusses about Panama Canal, its evolution and more specifically its contemporary rise in world politics and a geopolitical factor between the United States and China. The third section discusses the contested idea of Canal’s being controlled or otherwise for election gain or shaping aggressively policy across region. The fourth section deals with changes in American foreign policy as far as the artificial waterways or Panama Canal is concerned. It also explains the trigger points in the wake of economic rise of People’s Republic of China to boost its trade and investment relations across the globe. Finally, this research concludes the paper by underlining the geopolitically relevant Panama Canal which has shaped regional security and the involvement of several entities to make it a canal of peace and friendship, not confrontation. It is also found that this region has evolved as another site of power projection, contestation, cooperation and strategic conflict between China and the United States.

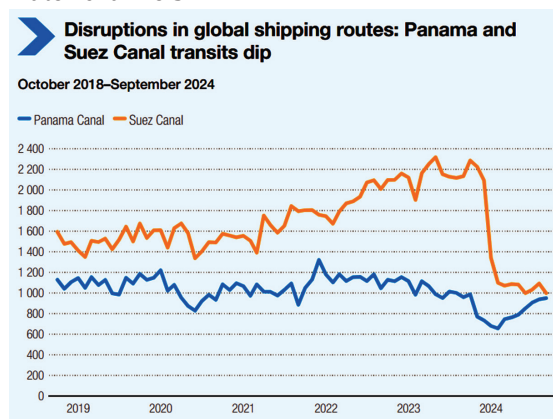
### **Geopolitical Importance of Maritime Choke Points**

The maritime choke points are narrow passes that play a substantive role in international trade and commerce by reducing transportation cost, distance and time. They are defined as “critical points along transport routes that facilitate the passage of substantial trade volumes, which serve as vital arteries for global commerce, connecting important regions world wide” (UNCTAD 2024:04). Trade is a backbone to international economy and its safety lies in the freedom of navigation in such maritime choke points that is critical to the international economy and security. So, choke points are important for maritime economy and maritime security both. They are also described as “the Achilles heal of global trade” (WF 26 Feb 2024). The significance and

safety of maritime chokepoints are directly linked to the expansion of maritime economy, political and social stability and safeguarding of state interests (Wang, Du and Peng 2024). For the United States, Panama Canal has been placed a strategic waterway, although it was not the campaign issue in the 2024 election. A policy drift was underscored after the Trump 2.0 administration comes and asserts to retake control of the canal (Hughes 2025). A policy drift is away from the past policy posturing when it comes to the US-Panama ties. The US's abandonment of multilateral commitments signals a radical departure from its past policies, it was not seen in the last 80 years (Dunn 2026).

Among other waterways, Suez and Panama Canal are placed significant in region and international geopolitics. They are also vulnerable to natural, geopolitical tensions, piracy attacks, climate and others. The Review of Maritime Transport Report underlines the efforts to focus on strengthening operation, infrastructure, seek to promote low carbon shipping for green ocean and combat fraudulent ship registrations (UNCTAD 2024). The closure of channels of communication will cause regional shipping delays and port backlogs (Pratson 2023).

The following figure 1 reveals a disruptive picture in global shipping routes along with two major water channels.



**Fig. 2: Disruptions in global shipping routes: Panama and Suez Canal transits dip.**

Source: UNCTAD, 22 Oct 2024 Maritime Transport Report

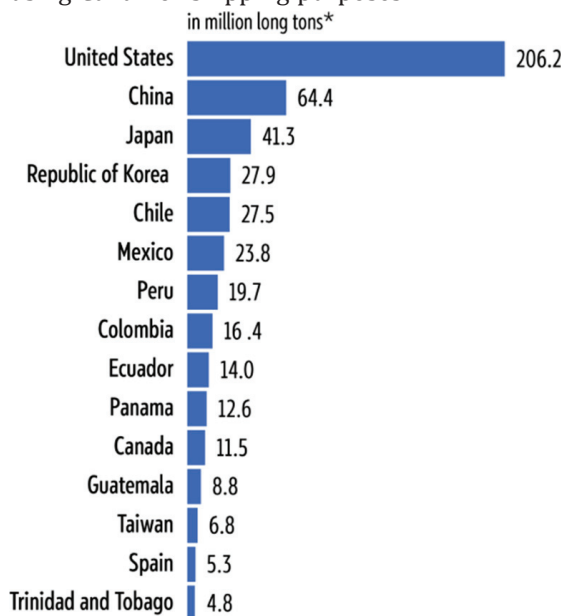
The above figure shows that in the mid-2024 the transportation traffics in the two major Canals, Panama and the Suez, were significantly dropped by around 50 percent, which was caused by different reasons for two major canals. In the case of Panama Canal, the low water level due to climate reduced the traffics, whereas the geopolitical conflict in the Red Sea affected the free movements in the Suez Canal. As a result, the Cape of Good Hope was utilized by shipping companies, therefore the traffic increased there significantly.

Given the growing relevance of choke points in international economy and its complex interdependence, they have become a geopolitical battleground to influence global market. In the midst of conflict as well, short term or long term, countries utilize it as a weapon to control or threaten the global supply chains in the world. The Recent 2025 Israel's extended conflict beyond the Gaza with Iran, which has led it to block a geopolitically and strategic waterways, which is the Strait of Hormuz. After the American strikes on the Iranian nuclear facilities, Iran intended to block the Strait of Hormuz, a strategic waterway for international community (Anand 2025). However, in a setback, reports indicate that the strikes by the US, a major NATO member, could not destroy the nuclear program (BBC 2025).

### Panama Canal

The Panama Canal is one of the major artificial water channels that for a long time has been overlooked by scholars of international security. The canal is located in the Caribbean Sea, and was built after years of hard work. Given its 82 kilometre size, this narrow channel was constructed to connect it with the Atlantic and the Pacific Ocean. Fernando Manfredo Jr. (1993) has explained its evolution and busy passage. Before the WWI till the Second World War, the shipping transportation through this channel was moderate, not utilized by countries as global security architecture was busy in expanding lands and fighting wars. However, the post-WWII economic miracle of Japan and other East Asian countries have changed this picture the growth in trade and commerce between countries boomed so as Panama Canal (Manfredo 1993, 103).

Economically, it is vital for international trade, which connects 180 maritime routes, 1,920 ports globally, consists of 5 percent of international trade, 40 percentage of US container ships, whereas China accounts for roughly 21.4 percentage of the cargo, which is second largest user followed by Japan, South Korea and others. The following figure 2 shows the major countries using Canal for shipping purposes.



\*One long ton is equal to 1 016 kg; used to measure petroleum products.

Fig. 3

Source: European Parliament, DG for Parliamentary Research Services (2025)

Along with its growth in transportation traffic, the role of China has grown up. Having said that, amidst China's rise, the recent elevation of Panama Canal in global politics in international trade and counter-globalization wave pushed countries to rethink it as strategic waterways in the Caribbean region (Shekhar 2025).

The Canal often faces challenges coming from reduction in daily ship transits when the water levels due to the EL Nino phenomena and other climate change factors bring it to the low level and reduction of rainfall in the Gatun Lake that supplies water to the Canal are critical elements in the threat of canal safety and safe transporta-

tion passages (WF 26 Feb 2024). Among other non-traditional security threats, primarily the canal's weather dependence for water, the state's actor have also increased their influence in the waterways. Among others, China is said to have played a critical role in the Canal's port investment and increasing its trade and commerce.

### China's Control of Canal

The assumption whether the Panama Canal is being controlled by any country or not became a global highlight under the second term of President Trump. China's economic rise and its influences have grown worldwide significantly. In particular, its reach to canal has increased.

The role of China in the Panama Canal has grown up in last two decades. This has changed geopolitical reality of the regional geopolitics. For some countries, like the United States, it also presents a threat for its future interests in the region. It is estimated that between October 2023 and September 2024 China accounted approximately 21.4 percent of the cargo volume passing through the Panama Canal, which makes it second largest user after the United States (Yuan 22 Jan 2025). The Atlantic Council report (2025) says the presence of China's link companies, such as Landbridge group and Hong Kong based CK Hutchison, present concerns for their "dual use infrastructure and strategic maneuvering", as country's ties with other Latin American states are growing.

Moreover, it has also made significant investments in ports and terminals around the canal. The BBC report underlines that "two of the five ports adjacent to the canal, Balboa and Cristobal, have been operated by the Hong-Kong based company, the Hutchison Port Holdings since handed over to Panama in 1997" (Yuan 22 Jan 2025).

The region has also witnessed great power competition between two economic giants. So there is a pressure on Panama to balance its interests, being a sovereign and independent country. It has also been noted that "under increased pressure by the Trump administration to distance itself from China, Panama must carefully balance competing great power interests in the canal and the wider region" (IISS 15 April 2025).

It's a contestable claim to prove whether China controls it or not. Because, other reports have different findings. According to the BBC reports, "there is no public evidence to suggest that the Chinese government exercises control over the canal, or its military, however, Chinese companies have significant presence there" (BBC 22 Jan 2025).

Likewise, the President of Panama Jose Raul Mulino has vehemently rejected the allegations made by the US led Trump and reiterated that "every square meter of the Panama canal and its adjacent zone belongs to Panama and will remain so" (President Jose Raul Mulino Jan 2025)

### **Changes in American Policy**

The Panama Canal has direct connection with the United States, which had played a crucial role in the building up of the artificial waterway between 1903 and 1914. Although "the idea of creating a canal through Panama was first seen by the king of Spain in 1534, three centuries later, French started building in 1881, however, stopped due to financial and human cost" (Carl Martinez et al 2025). In addition, the French had attempted to build it through Panama led by Ferdinand de Lesseps, the builder of Suez Canal, however due to tropical diseases like Malaria, yellow fever and others which led mass deaths and stopped the construction of canal by the French (Department of States, US). Constructed by the US later on, the control of canal has been an irritant in US-Panamanian relations for a long time (ibid.)

Under the treaties of Torrijos-Carter, which was concluded in 1977, the nature of Panama canal changed. It initially, not fully, came under the jurisdiction of Panama. Finally, the US's control was ended in 1999. Under the above mentioned treaty, there were two treaties signed between two governments. The first was about the Permanent Neutrality of Panama and operations of the Canal. These conditions were put forward to protect the canal from future power rivalries. And second treaty was the Panama Canal Treaty, which authorized the full control by Panama. The Trump administration claims these conditions were violated, so it has full responsibility to retake canal for regional peace and prosperity. This

strategic posturing by the Trump administration led a policy drift when it is concerned the US's ties with Panama and the Panama Canal.

Besides, this action has been described differently by different analyst. For a long time, the canal is controlled by Panama, the United States under Donald Trump seeks to change this status quo to counter Chinese influence in Latin American region (Roy 2025).

This comes in the wake of Panama's diplomatic recognition to Beijing from Taiwan and joined its BRI projects in 2017, as a result the Panama exports to China increased from USD 43 million to over USD 1billion (IISS 15 April 2025).

Prima facie, the claims the US makes about the Canal has been objectively examined by Carl Martinez et al (2025), who argues that China and the Panama government sides reject such claims as no hegemony or control by any country in the region. They also state that "Trump's canal card obscures a truth: Panama just wants to run its shipping passage without interference from China or the US" (Carl Martinez et al 2025).

### **Conclusion**

After examining, it is found that the Panama Canal has evolved another theatre of rivalry between China and the United States. It is an area of competition and strategic rivalries that has regional and international implications. With the growth of China in terms of building infrastructure and investment, the threats for the United States have grown up in the region. It is also alleged that China "controls" it, therefore United States want to take it back.

The decision of the United States to retake canal is not sudden, which is part of Trump's regional policy to protect its frontiers from future dangers. If taken back, the United States potentially would have stopped and prevented the Quben missile style crisis in the region. This is a strategic move, along with the making Gulf of Mexico to Gulf of America. Under treaty obligation, the US can assert its control in case the Canal is being controlled by any other country.

Ocean connects continents and trade flows from one region to another, this dependency can not

be overlooked, a common approach is required to deal with the problems. The Panama Canal could be a model for other waterways in the world that is peaceful and promote shared prosperity between countries, not posing threats for others.

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