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American Consortium's Purchase of Hong Kong-Owned Port Terminals Has Implications Far Beyond Panama

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SYNOPSIS

The announcement that the American consortium BlackRock will be buying Hong Kong CK Hutchison's port operations business has been heralded as a success in support of President Donald Trump's bid to regain dominance over the Panama Canal. However, the implications are much wider than that as the purchase will reorder global maritime infrastructure, trigger a sea change in the US-China rivalry, and set a dire precedent of consequence for other small states.

COMMENTARY

On 4 March 2025, a consortium led by American private equity firm BlackRock announced an agreement to buy the overseas ports business owned and operated by Hong Kong conglomerate CK Hutchison. The headline-grabbing part of this deal was the acquisition of port terminals on the Pacific and Atlantic sides of the Panama Canal. All the attention was on US president Donald Trump, who had in his inauguration speech said of the canal: "We're taking it back." On 4 March, the president took credit for "reclaiming the Panama Canal" from alleged Chinese control in a speech before a joint session of Congress that same evening — "We didn't give it to China, we gave it to Panama, and we're taking it back."

However, the implications of this acquisition go far beyond the Americas. It dwarfs any transaction in the ports sector for decades and will fundamentally alter the global commercial maritime landscape and have a profound impact on the US-China competition.

The US$22.8 billion deal will not change Panama's sovereign control over the canal. The Panama part of this story is overblown: the canal was never under China's control, nor is it reverting to US control through this purchase. The United States renounced its claim in a 1977 treaty and access to the canal is governed by the Panama Canal Authority, which also collects transit fees and maintains the waterway.

The Balboa and Cristóbal terminals in Panama, which have been held by Hutchison since 1997, are just two of the 43 terminals and 199 berths scattered across 23 countries that will transfer to new owners (notably, the sale will not include any of Hutchison's ports in mainland China and Hong Kong). The transaction will strip out nearly a third of China's overseas port network and establish a US firm as the controlling interest of a huge and strategic network of foreign port assets.

The US$22.8 billion BlackRock-Hutchison deal has a profound impact on the US-China geo-economic competition. Small countries that hold valuable assets could influence the rivalry, but they also face the risk of losing control over critical infrastructure. *Image source: Flickr.*

After the Second World War, the United States was the world's sole maritime superpower. American entrepreneurs launched the global containerised shipping revolution, and its ports and shipyards were world-class. Then, over the last four decades, American companies steadily divested themselves from global shipping and port operations, seeking cheap alternatives and greater financial returns further up the global value chain.

In contrast, the People's Republic of China has systematically invested in building its maritime capacity and capturing global market share in the low-margin but high-impact ports sector. By 2022, Chinese firms owned or operated terminals in 61 of the top 100 container ports in the world. China's shipping, shipbuilding, container, and port equipment sectors command similarly extraordinary market shares after 25 years of concerted industrial policy.

Hutchison's overseas port holdings were the largest of any Chinese firms, so this takeover means that maps showing the extent of PRC ports across the world are due for a major revision. Hutchison was the sole Chinese port operator in the Bahamas, Mexico, Oman, Panama, Poland, Sweden, and the United Kingdom.

However, shipping and port management is complex business where deals are rarely winner-take-all. PSA International, the Singapore-based firm currently ranked by Lloyd's as the world's leading container port operator, already owns a 20 per cent stake in Hutchison's port business (having acquired that share for US$4.4 billion in 2006). BlackRock's offer was made in partnership with the Mediterranean Shipping

Company (MSC), a privately owned Italian family business headquartered in Switzerland. MSC's subsidiary, Terminal Investment Limited (TiL), will presumably take over operations at Hutchison's terminals and become the largest global terminal operator.

There is a long-standing debate about the relevance of corporate port managers to the power of nations. Terminal concessions afford assorted levels of operational control over these critical infrastructure assets but do not concede sovereignty over the facilities. Commercial contracts also do not guarantee port access to military vessels, an authority held exclusively by the host government.

Still, ownership and operation of ports raise major strategic questions. The opportunity for an operator to sabotage, surveil, or otherwise compromise a port certainly exists, but other stakeholders (including berthed or transiting ships) enjoy similar access. The efficiency with which port services could be nationalised in a conflict scenario would vary across jurisdictions and contingencies.

As each of us has previously argued, the geo-economic advantages associated with port management are considerable. Given the sums of capital involved and the critical nature of ports to economic success, these strategic investments grant economic and political leverage over foreign governments. Furthermore, port operators may be able to favour some shippers over others, granting priority and privileged access to critical supply chains.

The BlackRock deal is too big, too high-profile, and too geo-economically impactful to be above politics, yet it also makes commercial sense for the firms involved. Reports that there were several competitive bids for Hutchison's port holdings reflect market interest in this opportunity. BlackRock had acquired Global Infrastructure Partners in October 2024 and was actively seeking portfolio investment in this sector. For MSC, this is a chance to expand the vertical integration of its shipping and port management business.

Trump offered public congratulations to this "large American company" and expressed his hope that they would also buy "a couple of other canals". His administration is fostering the perception that they brokered the deal and that they will continue to usher private capital into critical infrastructure deals.

On the seller's side, Hutchison's owner, Li Ka-shing, appears happy to walk away US$19 billion richer in cash. Offloading these overseas port holdings may reflect discomfort with years of unwelcome scrutiny about the dual-use potential of Chinese-invested ports. Port holdings may also be less attractive for Hutchison during a period when international conflicts are scrambling shipping networks, rising tariff barriers are weakening the global trade outlook, and economic headwinds in China are dampening expectations about future growth.

Beijing's assessment of this transaction remains unknown but maintaining and consolidating its global port position serves a range of PRC interests. China's central and local governments have provided a range of inducements for their companies to build and acquire ports at home and abroad. Two Chinese state-owned enterprise port behemoths, COSCO and China Merchants, had shown interest in PSA's reported offer to sell its stake in Hutchison for US$4 billion.

There is still scope for PRC regulators to block the deal through legal procedures, as they have done in competition with the United States in the chips sector. Beijing might also mobilise capital to make Hutchison a better offer — or inject political pressure to make it an offer it cannot refuse.

National governments and the shipping and trade industries will be watching this space carefully. The deal is still being hammered out and we should not dismiss the possibility that it will fall through. We are still at the start of an agreed 145-day negotiation period. Panama's government must authorise the transaction. Either side might get cold feet or press too hard to sweeten the deal.

While businesses follow profits, governments shape markets. Regardless of the nitty-gritty details, the top-line takeaway from all of this must be that Trump's public asseverations on Panama certainly influenced the deal between BlackRock and Hutchison.

Small countries may expect to find themselves more frequently at the receiving end of public threats from larger powers. They risk losing agency over their critical infrastructure and perhaps even sovereign territory — but their assets can also be powerful cards that can be played to their own advantage in the US-China competition.

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