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SYNOPSIS

The dispute between the US and China over the Panama Canal is the culmination of a decades-long competition for influence in Latin America between the two great powers. Although China has made progress in the economic, political and cultural arenas, the US continues to enjoy a cumulative advantage over China in the competition.

COMMENTARY

On 20 January 2025, US President Donald Trump declared in his inaugural address that the US would [“take back” the Panama Canal](#). Controlled by the US from the time of its opening in 1914, the canal was returned to Panama in 1999 under the Torrijos-Carter Treaties signed in 1977. Trump’s rationale for wanting to take back the canal was that [Chinese troops](#) stationed in the Canal controlled its operation, an accusation denied by both China and Panama.

At the August 2025 [UNSC](#) meeting, US and Chinese representatives fiercely debated whether China’s increasing influence over the Panama Canal was threatening international trade and global security. The US delegate argued that China’s presence in the canal violated Panamanian sovereignty as it controlled key infrastructure. At the same time, the Chinese representative countered that Chinese enterprises obtained the port franchise rights fairly and transparently.

This verbal clash over the Panama Canal demonstrated the Sino-US competition for influence in Latin America. In this competition, which dates back to 1949, China has made some progress, although the US still retains more influence than China in the region.

The Chinese Presence in Latin America

In recent years, China has actively engaged with Latin American countries in both economic and cultural matters. For instance, trade between China and Latin America exceeded US [\\$500 billion](#) in 2024. The Chinese government has also pursued economic diplomacy in the region through initiatives such as the [“1+3+6”](#) cooperation framework and the establishment of a “comprehensive cooperative partnership” with the Community of Latin American and Caribbean States (CELAC) in 2014.

These efforts have brought China significant economic benefits, including leadership roles and investment opportunities in lithium exploration and mining. Culturally, China has established fifty-two Confucius Institutes across Latin America to enhance its cultural influence, complementing the cultural and friendship associations that date back several decades.

China's efforts have weakened US influence in Latin America, which explains why President Trump is determined to reinforce American hegemony in the region and use China as a justification for doing so.

Beyond the economic sphere, China has also achieved political and diplomatic successes. For example, in 2023, [Honduras](#) severed diplomatic ties with Taiwan and established relations with Beijing, signifying its recognition of the one-China principle. This development was an indication that US influence in Latin America is waning.

Before China expanded its growing presence, Latin American nations had only US-centric options; now, they have viable alternatives offered by China.

US Strategies to Counter Chinese Influence

The US naturally feels threatened by China's growing presence in Latin America. This was reflected in the words of US Ambassador to Argentina, Peter Lamelas, who stated that his mission was to counter China's expanding influence in the region.

The Trump administration has taken several measures to deal with this perceived threat. For example, it revived its “backyard policy” by supporting [Javier Milei](#), who had previously suspended Argentina's participation in the BRICS, through [IMF loans](#). It also prioritised Latin America as the first destination for diplomatic visits after Marco Rubio was appointed Secretary of State, reinforcing the US' commitment to the region. Furthermore, Washington pressured Panama to end its cooperation with China under the [Belt and Road Initiative](#). It further blocked [Chinese investments](#) in key Latin American ports, such as Jamaica's Kingston Port and Mexico's Port of Manzanillo, citing national security concerns.

To maintain US dominance in Latin America, the Trump administration also imposed sanctions on countries pursuing strategic independence from the US, including Brazil and Venezuela. These sanctions included higher tariffs and, in Venezuela's case, the recent deployment of US naval vessels in its coastal waters and the sinking of alleged drug trafficking boats.

Overall, the current US administration's approach reflects its two-hundred-year-old hegemonic attitude toward its "backyard", but its success in curbing China's influence in the region has been limited.

Has China Become More Influential in Latin America?

The US remains the dominant power in Latin America for now. Economically, although China has expanded its trade with the region, inter-American trade remains the prevailing trend. In 2024, inter-American trade – valued at more than [US\\$1,096.98 billion](#) – was roughly double the volume of Sino-Latin American trade, which reached US\$518.47 billion. Likewise, Chinese foreign direct investments (FDI) in Latin America accounted for only [two per cent of total FDI](#) inflows in 2024, far below the US' share of approximately 38 per cent.

Politically, despite China's establishment of diplomatic relations with nearly all Latin American countries, some of these ties remain fragile due to ongoing competition with Taiwan. Furthermore, certain aspects of China's economic engagement reveal hegemonic tendencies – in some cases, violating local constitutional limits and undermining national sovereignty – which have strained Latin American perceptions of China. This dynamic has created an asymmetric interdependence. For instance, Bolivia's heavy reliance on the Chinese economy has led to constitutional concerns over foreign ownership of [state-owned enterprises](#) (SOEs), a situation viewed by some as a form of exploitation that threatens the country's economic autonomy.

Public opinion in Latin America also remains cautious toward China. While slightly more than half of respondents in countries such as Mexico and Peru express interest in doing business with China, overall support is tepid. Many Latin Americans favour a multilateral approach rather than aligning with a single great power. As OAS Secretary General [Luis Almagro](#) observed, maintaining geopolitical balance means engaging multiple partners, not choosing sides. Therefore, despite China's growing presence in Latin America, the US retains a cumulative advantage while China remains a secondary actor in the region.

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