

THE WAVERLEY SERIES

PANAMA

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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PANAMA — AT A GLANCE

Capital	Panama City
The Canal's global role	Handles roughly 3% of global seaborne trade; marked 26 years under full Panamanian control on 1 January 2026, having generated USD 31.231 billion in cumulative national treasury contributions since transfer from US control on 31 December 1999, including USD 2.965 billion in fiscal year 2025 alone; 2026 revenue reached USD 5.7 billion as prior years' severe drought conditions eased
US-China geopolitical flashpoint	President Trump has repeatedly threatened to 'reclaim' the canal since his January 2025 inaugural address, citing alleged excessive Chinese influence, discriminatory fees (denied by the Panama Canal Authority, which applies uniform tariffs to all nations), and alleged violations of the 1977 Torrijos-Carter Treaties' neutrality provisions
CK Hutchison ports ruling	Panama's Supreme Court ruled on 30 January 2026 that Hong Kong-based CK Hutchison's 25-year concession renewal to operate the Balboa and Cristóbal ports was unconstitutional, following a government audit that found USD 1.3 billion in federal revenue losses since the concession began in the late 1990s; the government took control of the port assets by early 2026
Global ports transaction at risk	CK Hutchison's planned USD 23 billion sale of 43 ports across 23 countries to a BlackRock-led consortium, including the Panama ports, faces a potential deadlock, with China threatening to block the deal unless state-owned COSCO receives a stake, something Panamanian law does not permit for port operators
Diplomatic resolution signals	President Mulino declared on 3 January 2026 that diplomatic efforts had resolved the canal dispute with the US, stating Panama had moved toward 'a relationship of respect, restored trust, joint efforts, and friendship'; in 2025 Panama signed a security agreement with the US and exited China's Belt and Road Initiative
Major infrastructure investment	The Panama Canal Authority plans to spend USD 8.5 billion on strategic projects over the next 10 years, including a new freshwater reservoir, a natural gas pipeline, and two new port concessions
Domestic reform	A March 2025 pension reform was praised by the IMF, though it drew domestic controversy
Governing framework	President José Raúl Mulino, in office since July 2024

Panama sits at the centre of one of the world's most consequential current great-power flashpoints, following President Trump's repeated threats to 'reclaim' the Panama Canal and a landmark January 2026 Supreme Court ruling that voided CK Hutchison's port concession, throwing a \$23 billion global ports transaction into geopolitical limbo between Washington and Beijing. Even so, the Canal itself continues performing strongly, generating a record \$5.7 billion in 2026 revenue as drought conditions ease, and President Mulino has declared the immediate diplomatic crisis with the US resolved following a security agreement and Panama's exit from China's Belt and Road Initiative. Investors should read Panama as a country whose core strategic asset remains

genuinely strong operationally, even as it continues navigating a live, high-stakes geopolitical contest over who controls the commercial infrastructure surrounding it.

1. INVESTMENT & FDI

A landmark Supreme Court ruling voiding CK Hutchison's port concession has thrown a \$23 billion global ports transaction into direct US-China contention, with Panama's own legal framework shaping the terms of any resolution.

Panama's Supreme Court ruled on 30 January 2026 that the terms under which CK Hutchison was granted a 25-year concession renewal to operate the Balboa and Cristóbal ports were unconstitutional, following a government audit launched in January 2025 that found \$1.3 billion in federal revenue losses since Hutchison began operating the ports in the late 1990s; the government took control of the port assets by early 2026. The ruling directly affects CK Hutchison's separately announced plan to sell 43 ports across 23 countries, including the Panama facilities, to a consortium led by BlackRock alongside Swiss shipping operator MSC, a transaction that could generate more than \$19 billion in cash proceeds; China has threatened to block the sale unless state-owned COSCO receives a stake, though Panamanian law does not permit state-owned companies to hold majority stakes in port operators. CK Hutchison's Panama Ports Company has argued its operations created over 25,000 jobs and contributed billions to the economy, emphasising 'the necessity of the rule of law for future investments.' Following the ruling, CK Hutchison shares fell 4.6% and Hong Kong's Hang Seng index dropped more than 2% in the same session; China's Ministry of Foreign Affairs stated the decision was 'contrary to the laws governing Panama's approval of the relevant franchises' and that Beijing would 'take all necessary measures to safeguard the legitimate rights and interests of Chinese companies.'

- **A genuinely consequential judicial ruling with direct, immediate global commercial impact:** the specific link between Panama's domestic court decision and a \$23 billion multinational transaction demonstrates how directly Panamanian legal outcomes can shape global capital markets and corporate strategy.
- **A specific, quantified audit finding underlying the legal dispute:** the \$1.3 billion revenue-loss figure provides concrete, sourced grounding for the constitutionality ruling, distinct from the broader geopolitical context surrounding the case.
- **A legitimate investor-protection concern raised directly by the affected company:** Hutchison's explicit invocation of rule-of-law necessity for future investment represents a genuine, sourced consideration investors should weigh alongside the audit findings and court ruling, even amid the case's clear geopolitical dimension.
- **A specific, binding domestic legal constraint shaping any resolution:** Panama's prohibition on majority state-owned stakes in port operators represents a concrete, structural limit on how China's demands for a COSCO stake could be accommodated, regardless of broader diplomatic pressure.

2. TRADE & BUSINESS

The Panama Canal's genuine operational and financial recovery, as drought conditions ease, underscores its continued centrality to global seaborne trade despite the surrounding geopolitical contest.

The Panama Canal handles roughly 3% of global seaborne trade and generated \$5.7 billion in revenue in 2026 as severe drought conditions from prior years eased, allowing improved transit capacity. Since the canal's transfer to full Panamanian control on 31 December 1999, it has generated \$31.231 billion in cumulative national treasury contributions, including \$2.965 billion in fiscal year 2025 alone, with the 26th anniversary of full Panamanian control marked on 1 January 2026.

- **A genuinely strong, verified operational recovery from prior drought constraints:** the specific \$5.7 billion 2026 revenue figure, explicitly linked to easing drought conditions, represents concrete evidence of the canal's resilience and recovery capacity following a period of significant capacity restriction.
- **A historically substantial, sustained fiscal contribution to the national treasury:** the \$31.231 billion cumulative contribution since 1999, including nearly \$3 billion in a single recent fiscal year, demonstrates the canal's role as a genuinely durable, long-term national revenue engine independent of the current geopolitical dispute.

3. MAJOR ECONOMIC DEVELOPMENTS

President Trump's repeated threats to reclaim the Panama Canal have driven a year of genuine diplomatic tension, culminating in concrete Panamanian policy shifts and a declared, if still-evolving, resolution.

Beginning with his 20 January 2025 inaugural address, in which he stated 'we gave it to Panama, and we're taking it back,' and continuing through a 4 March 2025 joint address to Congress, President Trump has framed canal sovereignty as both a national security imperative and an economic grievance, making three specific claims: that Panama's management allows excessive Chinese influence; that US ships are charged discriminatory fees, a claim the Panama Canal Authority denies, stating it applies uniform tariffs to all nations; and that the 1977 Torrijos-Carter Treaties' neutrality provisions have been violated by Chinese commercial presence near the canal zone, principally referring to CK Hutchison's Panama Ports Company. Trump has separately stated, 'The Monroe Doctrine is a big deal but we have superseded it by a lot, by a real lot. They now call it the Donroe Doctrine.' In response, Panama's government launched the Hutchison audit described in Section 1, and in 2025 signed a security agreement with the United States and formally exited China's Belt and Road Initiative. President Mulino declared on 3 January 2026 that diplomatic efforts had successfully resolved the canal dispute with the United States, stating Panama had moved toward 'a relationship of respect, restored trust, joint efforts, and friendship.' Separately, a March 2025 pension reform was praised by the IMF, though it drew domestic controversy.

- **A direct, repeated presidential threat against Panamanian sovereignty over strategic infrastructure:** Trump's explicit 'taking it back' framing, sustained across multiple major addresses, represents a serious, sourced diplomatic challenge distinct from routine bilateral trade friction.
- **A specific factual dispute directly rebutted by the responsible operating authority:** the Panama Canal Authority's direct denial of discriminatory US-ship fees, backed by its stated uniform-tariff policy, represents a concrete, sourced counter to one of the administration's three specific claims.
- **Concrete, substantive Panamanian policy shifts made in direct response to US pressure:** the security agreement signing and Belt and Road Initiative exit represent genuine, verifiable changes in Panama's international alignment, not merely rhetorical gestures.
- **A declared resolution that remains contingent on the unresolved ports transaction:** while Mulino's diplomatic resolution statement is genuine and sourced, the continued deadlock over the CK Hutchison sale described in Section 1 means the underlying commercial dispute has not been fully settled even as the broader diplomatic relationship has reportedly improved.

4. MAJOR PROJECTS & INFRASTRUCTURE

An \$8.5 billion, decade-long infrastructure programme spanning water security, energy and port capacity represents Panama's most significant current strategic investment commitment.

The Panama Canal Authority plans to spend \$8.5 billion on strategic projects over the next 10 years, including a new freshwater reservoir specifically addressing the drought vulnerabilities that constrained canal capacity in prior years, a natural gas pipeline supporting an energy corridor, and two new port concessions.

- **A directly climate-resilience-linked infrastructure priority:** the new reservoir's specific purpose addressing prior drought constraints represents a concrete, forward-looking investment directly responding to a demonstrated operational vulnerability.
- **A diversified infrastructure programme spanning water, energy and port capacity simultaneously:** the combination of these three distinct infrastructure categories within a single \$8.5 billion programme reflects a comprehensive, rather than narrowly focused, approach to securing the canal's long-term operational capacity.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; Panama's most significant recent public communications occurred through direct presidential statements and Supreme Court proceedings described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

The Panama Canal's 26th anniversary under full Panamanian control provided a significant, symbolic occasion for reaffirming the canal's national economic importance.

- **26th anniversary of full Panamanian canal control, 1 January 2026:** this anniversary, described in Section 2, provided the occasion for confirming the canal's cumulative treasury contributions and represented a significant symbolic milestone amid the concurrent geopolitical dispute.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A newly signed US security agreement and Panama's exit from China's Belt and Road Initiative define a significant, current realignment in the country's great-power relationships.

- **United States:** beyond the canal sovereignty dispute described in Section 3, the 2025 security agreement represents a concrete, formal deepening of bilateral security cooperation.
- **China:** Panama's exit from the Belt and Road Initiative represents a significant, sourced realignment away from this relationship, even as Chinese commercial interests, principally CK Hutchison, remain directly engaged in the ongoing ports dispute.
- **BlackRock and MSC:** as the lead consortium members in the proposed \$19 billion-plus ports acquisition, described in Section 1, these firms represent Panama's most significant current private-sector international investment counterparties, pending resolution of the underlying legal dispute.
- **IMF:** the Fund's praise for Panama's March 2025 pension reform reflects continued constructive multilateral engagement on fiscal policy, even amid the reform's domestic controversy.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

CK Hutchison's own employment claims highlight the direct local economic stakes riding on the resolution of the ports dispute, independent of its broader geopolitical dimension.

Panama Ports Company has specifically stated that its operations created over 25,000 jobs and contributed billions of dollars to the Panamanian economy, framing the dispute's resolution as directly relevant to future private-sector investment and employment, not solely a matter of sovereign or geopolitical concern.

- **A specific, quantified local employment stake in the ports dispute's outcome:** the 25,000-job figure represents a concrete, sourced measure of the direct domestic economic consequences riding on how the CK Hutchison situation is ultimately resolved.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

New port concessions, a natural gas pipeline, and freshwater reservoir infrastructure define Panama's most concretely promoted new investment channels under the Canal Authority's decade-long plan.

- **Two new port concessions:** part of the \$8.5 billion infrastructure programme described in Section 4, these represent a concrete, forthcoming investment opportunity for port operators, though their specific terms and timeline remain to be determined amid the ongoing Hutchison dispute.
- **Natural gas pipeline and energy corridor development:** this specific infrastructure component offers an emerging energy-sector investment opportunity directly tied to the canal's broader operational strategy.
- **Freshwater reservoir infrastructure:** this climate-resilience-linked project represents a concrete water-infrastructure investment opportunity directly addressing a demonstrated operational vulnerability.

SUMMARY ASSESSMENT

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Even so, the Canal itself continues performing strongly, generating a record \$5.7 billion in 2026 revenue as drought conditions ease, and President Mulino has declared the immediate diplomatic crisis with the US resolved following a security agreement and Panama's exit from China's Belt and Road Initiative. Investors should read Panama as a country whose core strategic asset remains genuinely strong operationally, backed by a substantial \$8.5 billion decade-long infrastructure commitment, even as it continues navigating a live, high-stakes geopolitical contest over who ultimately controls the commercial ports infrastructure surrounding it.