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# CHINA'S INFLUENCE IN PANAMA:

A Case Study



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ABIERTO



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## EXECUTIVE SUMMARY

The Republic of Panama and the People's Republic of China established diplomatic relations in 2017. Over the past six years, China's level of influence and interference in Panama has increased considerably. Although there was already a fluid commercial relationship before establishing these relations, it has been since 2017 that the influence and consequent interference in Panamanian affairs have become more visible.

The rapprochement has been followed by a series of practices contrary to the values and principles of the rules-based international order to which Panama adheres, including democracy, human rights, and transparency. The People's Republic of China has subsequently exploited Panama's deficiencies in these principles and values.

This study analyzes the different ways in which China exerts its influence in Panama. It begins with the symbolic struggle at the entrance of the Panama Canal in the Panamanian Pacific, a symbol of generational efforts in favor of the recovery of national sovereignty. It also considers formal or legal issues linked to bilateral treaties signed by both parties and the Chinese refusal to adhere to the neutrality protocol of the Panama Canal.

This study also weighs a critical strategic issue, the control, by the Hong Kong company Hutchison-Whampoa, today CK Hutchison Holdings, of the two main ports bordering the Canal, Balboa in the Pacific and Cristóbal in the Caribbean. The influence and alleged Chinese control over such a company have even raised alarms in the Southern Command of the United States of America.

The study covers another equally sensitive topic: the fight from Minera Panamá for control of copper in the Isthmus country. This is a fact that, in turn, illustrates how issues such as share control of a company and negotiation strategies with the State are similarly used by China in different areas (ports and mining).

Likewise, this analysis delves into the study of different infrastructure works, such as a convention center, a cruise port, and the fourth bridge over the Canal, which raise fascinating parallels with those of Hutchison and Minera Panamá. Regarding security, this study also ponders the cases of Colón C2, the use of the “safe city of Shenzhen” model, cybersecurity in San Miguelito, the use by China of corporate structures, and the Panamanian flag in illegal, unreported, and not regulated fishing. Finally, this paper analyzes the exercise of political influence and how it shapes the narrative at the highest levels of the Panamanian government.

The conclusions are straightforward. The Republic of Panama is unprepared to expand its relationship with China from an economic, geopolitical, strategic, and accountability perspective. There is a general lack of knowledge about how the Chinese interests operate in Panama, leaving the Panamanians in a position of strategic weakness.

However, to mitigate this reality, Panama must guide its relationship with China based on the values mentioned above and the principles that constitute, in turn, its strategic weaknesses. The above would be a good starting point to recalibrate the relationship within the framework of a rules-based international order.



## I. INTRODUCTION

The Republic of Panama and the People's Republic of China (PRC) recently commemorated the sixth anniversary of establishing their diplomatic relations. On June 12, 2017, Panama surprisingly broke off diplomatic relations with the Republic of China-Taiwan and then, on June 13, 2017, established them with the PRC, and adhered to the “one China” principle.

Panama and the PRC are considered players of the utmost strategic importance in the global geopolitical scenario. Because of its geostrategic position, Canal, and merchant marine registry, Panama is doomed to be a geopolitical actor. At the same time, China, the Asian giant, is considered an emerging hegemonic power, among other things, because of its position in the South China Sea and significant infrastructure projects such as the Belt and Road Initiative – to which Panama was the first Latin American country to join.

However, Panama and the PRC differ on fundamental issues. While Panama is a state that was forged and consolidated within the framework of a rules-based world order, the PRC is a state entity that seeks to disrupt or modify this order through an alternate, new world order.

While the current international order promotes democracy, human rights, and transparency as its fundamental components, the Chinese approach favors interest-based transactional schemes that give a residual role to these principles and values, reducing them to a mere internal affair of each state.

It is essential to clarify that Panama is far from the ideal model of democracy, human rights, and transparency. Therefore, it is necessary to point out that, historically, Panama has been the object of interventionism by different hegemonic powers in various periods, which should predispose the Isthmus to reject any interventionist posture, regardless of the actor involved.



According to the 2018 Polity Score, Panama is a democracy with a high score of 9, with -10 being the maximum range for autocracies and 10 for democracies (Our World in Data, 2018). Likewise, according to the Freedom in the World 2023 report, Panama was rated as a free country with a score of 83 out of 100 (Freedom House, 2023). We could also refer to the V-Dem Institute's Democracy Report 2023, which considers the Panamanian system to be an electoral democracy (V-Dem Institute, 2023).

Paradoxically, in the three cycles of the Universal Periodic Review of the United Nations Human Rights Council, Panama has received countless recommendations, reiterated by other States regarding the respect and observance of human rights, which to date have not been addressed (Consejo de Derechos Humanos de Naciones Unidas, 2020)

Similarly, Panama's low scores in indexes such as Transparency International's Corruption Perceptions Index (CPI) – 36/100 – or Latin America's legislative transparency index must be balanced by these relatively favorable results regarding democracy. According to the CPI, Panama is on par with Albania, Ecuador, Kazakhstan, Peru, Serbia, Sri Lanka, Thailand, and Turkey. All of these have severe situations regarding democratic governance and respect for human rights (Transparency International, 2022a).

This, far from proposing exceptionalism – a democratic state with a poor record in transparency and human rights – suggests that the Panamanian situation regarding democracy, transparency, and human rights is not optimal. In any case, these issues constitute strategic weaknesses, which can be exploited by disruptive actors – including the PRC – whose objective is to break or modify the rules-based international order, forming, through revisionism, a new international order.

When analyzing the influence of the PRC in Panama, there is a tendency to take the year 2017 as a starting point. The above consideration ignores the centuries-old Chinese presence in Panama, which dates back to the mid-nineteenth century with the contributions of Chinese workers in constructing the trans-isthmus railway from 1850 to 1855 (Chen, 2016). It was progressively formalized in the first decade of the twentieth century by establishing diplomatic relations (Chen, 2019). Little attention is also paid to Panama's strategic vulnerabilities, which make it easy prey for the PRC's interventionist model through strategic corruption and elite capture operations.

The analysis of the PRC's presence in Panama tends, at times, to be limited to the trade balance between the two nations and the establishment of Chinese transnational companies in Panama – Huawei, Bank of China, and ZTE, among others – based on win-win cooperation.

The above, without underestimating the importance of trade relations, does not provide a complete picture since certain factors and events have not been adequately analyzed with a critical and strategic perspective, such as China's influence in the information space. That is why this case study on the impact of the PRC in Panama analyzes various situations and their consequent effects from the prism of democracy, human rights, and transparency.

## II. AT THE GATES OF THE PANAMA CANAL

One of the most emblematic postcards that Panama offers to any of its visitors is the entrance to the Panama Canal through the Pacific and the so-called Causeway or Calzada de Amador. As a predefined route, most of the flights that arrive at Tocumen International Airport, before landing, take a turn around the Canal and the Causeway, offering a thriving panorama between skyscrapers, ports, highways, and the Ancón hill, a symbol of Panamanian sovereignty.

This panorama did not elude the second main user of the Canal (Autoridad del Canal de Panamá, 2022), the PRC, because, at the time of establishing its diplomatic relations with Panama, it successively proceeded to make a sort of blitz in this small strip of Panamanian territory, with the objective of making its presence felt in the Isthmus in multiple ways.

Curiously, this strip of territory is seen by most Panamanians as a symbolic component of the national claim achieved through the generational struggle for the recovery of the Panama Canal and the former U.S. colonial enclave in the former Canal Zone.

It is a part of Panamanian territory very different from all the others since it was, for almost a century, under the control of the United States of America and included, as a whole, military bases and various infrastructure works. After a decades-long negotiation process, Panama regained control of its Canal through the Torrijos-Carter Treaties of 1977, which resulted in the reversion of the Canal and its surrounding areas to Panamanian hands at noon on December 31, 1999. In addition, the peaceful and negotiated handover of the Canal and its adjacent areas by the U.S. to Panama represents the triumph of multilateralism and Panamanian foreign policy.

In doing so, it demonstrated to the world that, in a world order based on rules, even a small state like Panama could negotiate with the world's main hegemonic power, the United States of America, on an equal footing and come out on top. Likewise, the aforementioned portion of Panamanian territory was a reflection of the old order that prevailed in the country before the reversion of the Canal, where the United States of America exercised absolute control over that strip of territory and considerable influence over the main developments in Panama's national political affairs.

Paradoxically, both perspectives of this part of Panamanian territory were incorporated into the blitz, the PRC's strategy in Panama, reflecting the imprint of a new order. Beginning with the control of the main Pacific port since the 1990s, the port of Balboa, the PRC has managed to establish its presence in Panama by subsequently awarding a Chinese consortium the project of a fourth bridge over the Canal, the construction by a Chinese company of the country's leading convention center, and the construction of a cruise terminal, all in that symbolic area of Panamanian territory.



The development of these projects and their link with the symbolism rooted in the said area seemed to be a mere coincidence. However, the public controversy triggered by the alleged allocation of a plot of land on this same site – that is, at the entrance to the Canal – for the construction of the future headquarters of the Embassy of the PRC a few months after the establishment of diplomatic relations, is an additional factor that lends itself to suspicion, which alludes to an underlying message that the PRC intended to send (Fonseca, 2018).

The public opprobrium was such that the location of the diplomatic headquarters had to be reassigned (Gordón, 2018). This was something that not even the United States had attempted to do in the post-1999 period, to locate its diplomatic headquarters and, consequently, its national emblem at the entrance to the Panamanian Canal.



### **III. THE SAGA OF THE 47+ AGREEMENTS AND THE PANAMA CANAL NEUTRALITY PROTOCOL**

The establishment of diplomatic relations was not exempt from intense controversies and questions about transparency. One of the most worrying allegations was related to an alleged bribe received by then-President Varela from the PRC for an amount close to 142 million dollars in exchange for establishing diplomatic relations with the Asian giant and breaking them with Taiwan (France 24, 2019). It should be noted that, to date, the veracity of this allegation has yet to be verified.

However, after the establishment of diplomatic relations between Panama and the PRC, from June 2017 to December 2018, both States signed about 47 bilateral agreements (Ministerio de Relaciones Exteriores de la República de Panamá, 2017). Some dealt with issues related to the establishment of diplomatic relations, including the conversion of commercial representations to embassies, the abolition of visas for diplomats, the creation of mechanisms for political consultations, the establishment of some consulates, cultural exchange, and educational cooperation.

On the other hand, there were some linked to strategic, economic, and technical cooperation mechanisms in the areas of investment, export-import, e-commerce, transportation, and agriculture, as well as Panama's receipt of non-reimbursable economic cooperation.

Likewise, other agreements included the incorporation of Panama into the Belt and Road, the request for a joint feasibility study to finalize a free trade agreement, and another on a railway project from the province of Panama to the province of Chiriqui. In addition, they addressed issues related to civil



air transport, maritime transport, and tourism. An extradition agreement was also entered into between the two States.

One of the main problems generated by this package of agreements was linked to the efforts of Panamanian civil society to make them transparent since, initially, some of them were secret or had secret clauses (Tapia, 2018). Such efforts would result in all agreements being published in a section of the Ministry of Foreign Affairs of Panama's website (Ministerio de Relaciones Exteriores de la República de Panamá, 2017).

In addition, it should be noted that the vast majority of these agreements were not subject to the approval process before the National Assembly of the Republic of Panama, mandated by the country's Constitution. In this regard, it should be noted that several of the commitments made by the Panamanian State with the PRC contravene the constitutional procedure adopted by the Isthmus for such purpose. This is far from being a rare occurrence since Panama has also signed a multiplicity of security and defense cooperation agreements with the United States without them having gone through the National Assembly.

Notably absent from all the treaties concluded between Panama and the PRC due to the establishment of diplomatic relations was the adherence of the Chinese side to the Protocol to the Treaty on Permanent Neutrality and the operation of the Panama Canal. This Protocol is a multilateral agreement with nearly forty States party to it, which recognizes the neutrality regime applicable to the interoceanic waterway. The PRC is the only permanent member state of the United Nations Security Council that is not a party to the Protocol.

The contracting parties to the Neutrality Protocol recognize and agree to observe and respect the permanent neutrality regime of the Panama Canal. In this regard, it should be noted that one of the reasons given to justify China's refusal to adhere to the Protocol is the fact that the Republic of China-Taiwan is also a party to the Protocol.

In this regard, it should be noted that Taiwan enjoys a high level of democratic institutions and a high level of respect for human rights, with some challenges in terms of corruption, which it is facing. The PRC considers Taiwan a rebel province that must be reunified with mainland China, even by force, if necessary.

The PRC's argument regarding its refusal to adhere to the protocol has no practical validity. Both the PRC and Taiwan are parties to more than twenty multilateral agreements, without this having prevented the PRC's participation. In such circumstances, the PRC has limited itself to including, in its instrument of accession, a unilateral declaration qualifying the Taiwanese signature on behalf of "China" as illegal and, consequently, null and void. Despite multiple Panamanian requests, the PRC has refused to adhere to the Canal's neutrality regime.

The PRC's most explicit expression in favor of the Panama Canal's neutrality regime came in the framework of the Joint Declaration between the PRC and Panama of November 17, 2017, signed by Presidents Xi and Varela on the occasion of the former's visit to Panama. In this regard, the Chinese side stated that it "respects the permanent neutrality of the services of the Panama Canal" (Ministerio de Relaciones Exteriores de la República de Panamá, 2017). The reference to "the services" of the Canal and not to the route per se should be carefully and cautiously analyzed in the face of the PRC's repeated refusal to adhere to the Protocol.



In any case, in December 2018, on the occasion of Xi Jinping's visit to Panama, in a joint statement of the heads of state, the Chinese side recognized that the Panama Canal is "a permanently neutral international transit waterway so that it remains safe and open for the peaceful transit of ships of all nations" (Ministerio de Relaciones Exteriores de Panamá, 2018a). However, it is noteworthy that China remains the only permanent member of the United Nations Security Council that has not adhered to the aforementioned protocol.



## IV. HUTCHINSON PORTS PPC, THE NEW MODEL OF INTERVENTIONISM

In 1997, before the completion of the process of transferring the Canal to Panamanian hands, the Republic of Panama, through Contract Law No. 5 of January 1997, awarded a concession to a division of the Hong Kong company Hutchison-Whampoa, now CK Hutchison Holdings, for the operation of the two main ports adjacent to the Canal: Balboa in the Pacific and Cristóbal in the Caribbean (Atlantic). At that time, such contracting did not generate any concern, not even on the part of the United States of America (Gutiérrez, 1999). The reality seemed to be different.

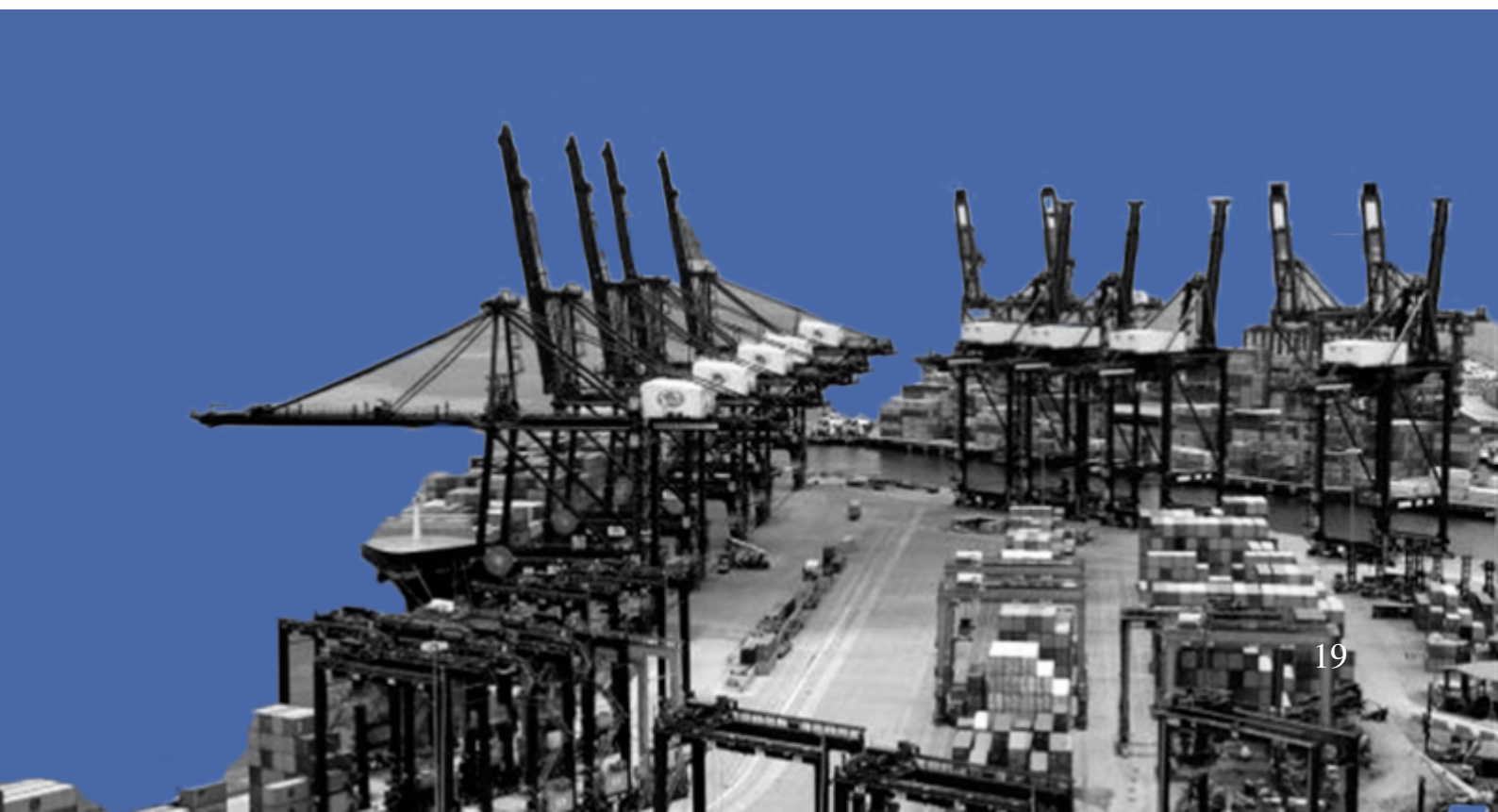
On July 1, 1997, the world witnessed the reversion of Hong Kong's sovereignty from the United Kingdom to the PRC. With this, there would be much speculation about China's imminent liberalization, democratization, and full integration into the rules-based international order. Hong Kong, with its thriving and vibrant democratic community, would cause a domino effect that would lead all of China to become more like Hong Kong in 1997 rather than the other way around. Far from materializing, the “one China, two systems” model began to take shape, which would also be called into question two decades later.

In 2021, the Panama Maritime Authority renewed the contract with Hutchinson Ports PPC (hereinafter PPC) for 25 more years. This renewal generated criticism, including from the Attorney General of the Administration, who referred to the obligation of accountability and transparency before the renegotiation – which never took place – as well as the need for a comprehensive review of the Contract Law to carry out substantial renegotiations, always with the primary objective of obtaining more significant benefits for the State

(González, 2021). It is worth noting that, in this renewal process, little or no analysis was made of the delicate situation regarding democracy, human rights, and transparency in Hong Kong, Hutchinson-Whampoa's headquarters.

It should also be noted that the process of renewing PPC's concession suffered from a lack of transparency regarding the agreed terms and the revenues that the State would receive, creating a generalized perception that the conditions agreed between the parties were highly favorable to PPC and detrimental to the State. This negotiation model would subsequently be applied in other equally delicate circumstances and with other resources of utmost importance to the Panamanian State (Noriega, 2021).

In 2019-2020, a wave of protests took place in Hong Kong to demand the withdrawal of the extradition bill to China and to condemn the increasing level of interference by the PRC and the Chinese Communist Party (hereinafter CCP) in the affairs of the autonomous city. We cannot forget that per the 1997 Sino-British Joint Declaration, the PRC was to preserve Hong Kong's status quo until 2047, including its autonomy and capitalist system.



Evidently, the situation in Hong Kong in 2021 was not the same as it was in 1997, suggesting that, given this fundamental change in circumstances, the level of influence in Hong Kong by the PRC and the CCP increased, as did their intervention in private companies in the autonomous region. This does not seem to have been considered or analyzed from a strategic perspective by the Panamanian authorities at the time of renewing the concession.

During the first twenty-five years of the initial concession, Hutchison-Whampoa's subsidiary, Hutchison Ports PPC, made significant investments in the Panama Canal conglomerate, which became valuable tools for structured capture operations by the country's political and economic elite.

Such influence cultivated by PPC ultimately facilitated a series of successful actions in the political and judicial spheres in the interest of preventing the free competition inherent in any open and market economy. The clearest example was PPC's active opposition to the Corozal port project (Mundo Marítimo, 2016).

Another interesting case in which the PRC exerted influence by replicating the negotiation model used by PPC was that of the Panama Colón Container Port (PCCP) project located on Isla Margarita, Colón province, initially awarded to China Landbridge Group, a company with alleged ties to the CCP (Autoridad Marítima de Panamá, 2017) and subsequently acquired by Shanghai Gorgeous Investment Development, Inc. (Morgan & Morgan, 2017).

The China Landbridge Group's track record in projects of a similar nature – Darwin Port in Australia – and its strategic and security implications (Gibson, 2022) did not raise enough alarms in the Panamanian authorities to prevent the PCCP project from being awarded to it.

Similarly, in the case of Shanghai Gorgeous, the controller of its main shareholder, Anxin Trust Co. Ltd, Mr. Gao Tianguo, was arrested by Chinese authorities for alleged irresponsible lending practices (La Estrella de Panamá, 2020). However, the Panama Maritime Authority, in 2021, initiated a process of cancellation of PCCP's concession for non-compliance with essential contractual obligations (Autoridad Marítima de Panamá, 2021) and then awarded it to Notarc Management Group and the shipping line Mediterranean Shipping Company (Crítica, 2022b).

In 2022, Commander Laura J. Richardson of the U.S. Southern Command expressed concern about PPC's administration—which she referred to as a PRC-owned company—of the main ports surrounding the Panama Canal in the Pacific and Atlantic. In this regard, Richardson asserted that these ports were potentially dual-use facilities, including military. In other words, although they are civilian infrastructures for commercial use, they could easily be transformed into military assets (Aitken, 2022).

The Panamanian experience with PPC and PCCP also highlights the state's serious deficiencies in complying with its own constitutional clauses. The most obvious of all is Article 290 of the Political Constitution of the Republic of Panama, which establishes that “No foreign government or foreign official or semi-official entity or institution may acquire dominion over any part of the national territory, except in the case of embassy headquarters in accordance with the provisions of the law.”

Given the level of interference and control of the PRC and the CCP in any economic endeavor in China and their control over the vast majority of “private” companies that venture abroad, it is very difficult for Panama to effectively comply with this constitutional clause by granting concessions – dominion – over ports to Chinese companies subject to state control.

## V. FIRST QUANTUM MINERALS, MINERA PANAMÁ AND SHAREHOLDER CONTROL

In 1997, the same year that the ports of Balboa and Cristóbal were awarded to PPC, the Republic of Panama granted a mining concession contract for the exploitation of gold, copper, and other minerals to the company Minera Petaquilla, S.A. (Asamblea Legislativa de la República de Panamá, 1997). In 2014, First Quantum Minerals, through its local subsidiary, Minera Panamá, S.A., acquired the concession rights and assets of Petaquilla Minerals for up to US\$60 million (Morgan & Morgan, 2014).

First Quantum Minerals is a Canadian mining company with operations mainly in Africa. In principle, the acquisition of this concession did not pose any problem or vulnerability for Panama. However, an analysis of the current shareholding composition of First Quantum Minerals and that of its final beneficiaries, as well as the geostrategic context in which it operates, raises important warning signs that certify yet another incursion of the PRC and the CCP into Panama.

A simple search on Market Screener shows that Jiangxi Copper Company Limited, a Hong Kong company, owns an 18.32% stake in First Quantum Minerals. However, there are reports that this stake or part of it was sold in 2020, just one year after it was acquired (S&P Global, 2020).

This seems to go against the PRC and the CCP's business model, particularly considering that it is a copper extraction operation in which China is a key player, as it has the primary copper refineries (Wilson Center, 2022).



According to lawyer Rodrigo Noriega, China would have nearly 40% of the stake through Jiangxi and Pangea Investment (Noriega, 2022). For his part, Marcel Salamín, former Panamanian vice-chancellor, agrees that China's stake is close to 40% but lists Pangea Investment and PIM Cupric Holdings Ltd. as the vehicles used to exercise such shareholder control (Salamín-Cárdenas, 2022).

It is worth noting that Salamín was also part of the negotiating team for the State with Minera Panamá and that he resigned from that role, among other things, because “there are three foreign states that directly or indirectly have a stake in the shareholding package, either of the parent company First Quantum or of the subsidiary Minera Panamá, something that the Panamanian Constitution prohibits” (Rodríguez, 2021). Both agree that other states, such as Korea, Japan, and Singapore, also have shareholdings.

However, it is necessary to distinguish between the shareholding models of Korea, Japan, and Singapore and that of the PRC. While the participation of the first three States can be considered as a mere investment, in the case of China, there is evidence of a causality between China's shareholding (40%) and the amount of Panamanian copper that ends up being exported to China (60%) (Hernández, 2019). Likewise, the model of state participation and intervention in China is very different and much more aggressive than in the other Asian states already mentioned since the PRC and the CCP exercise control over the operations of their companies to a large extent.

That is why, in the absence of concrete information regarding Chinese participation in First Quantum Minerals, elements linked to geostrategy and China's role in copper refining invite us to consider examples such as Kansanshi Zambia, First Quantum's second most lucrative operation after Cobre Panamá.

Although the mine pays about \$67 million in annual taxes to the state, much of the money collected goes to pay off Zambia's debt to China, which is around \$4 billion (Financial Times, 2023). Zambia has already fallen into the debt trap; in the case of Panama, it remains to be seen; the question is what role First Quantum will play in this regard.

As with PPC, the concession initially granted to Petaquilla Minerals and continued with Minera Panamá (First Quantum) expired in 2022. However, in 2018, the Supreme Court of Justice declared the contract law that initially granted the concession to Petaquilla Minerals unconstitutional (Swissinfo, 2021). Despite this ruling, Minera Panamá continued its operations and even renegotiated a new concession with the State.

In this regard, there has been little discussion in the media about the PRC and CCP's shareholding in First Quantum and the level of influence it could be exercising in Minera Panamá. In addition, it is essential to note that Minera Panamá seems to have used the same negotiation model as PPC, with conditions that are highly beneficial to the company and, some of them, very harmful to sovereignty and the national interest.





## VI. THE CONVENTION CENTER, THE CRUISE PORT, AND THE FOURTH BRIDGE OVER THE CANAL

The participation of companies linked to the PRC and the CCP in three major infrastructure projects in Panama makes evident the Chinese presence on the Pacific shore of the Canal. The first of these projects is the Panama Convention Center located on the banks of the Panama Canal in Amador.

Initially, the project for the construction of the convention center had been awarded to HPC Contratas P&V, which was subsequently transferred to the CCA-COCIGE consortium (Central America Data, 2016). That consortium included China Construction America Panama. Another of the consortium's participants, COCIGE, entered bankruptcy proceedings in 2019 (Sandoval, 2019). However, the work was completed in 2020 and will be officially inaugurated in 2021.

During Juan Carlos Varela's administration, China Harbour Engineering Company was also awarded the construction of a cruise port in Amador (El Capital Financiero, 2017). The work is scheduled to be completed in November 2024. In this regard, it is necessary to recall the words of Commander Richardson regarding PPC, which can also be applied to the cruise port in Amador. By 2021, it was estimated that the work would cost 25% more than the original price – an additional 40 million dollars – and it was speculated that it would take three and a half more years to be delivered.

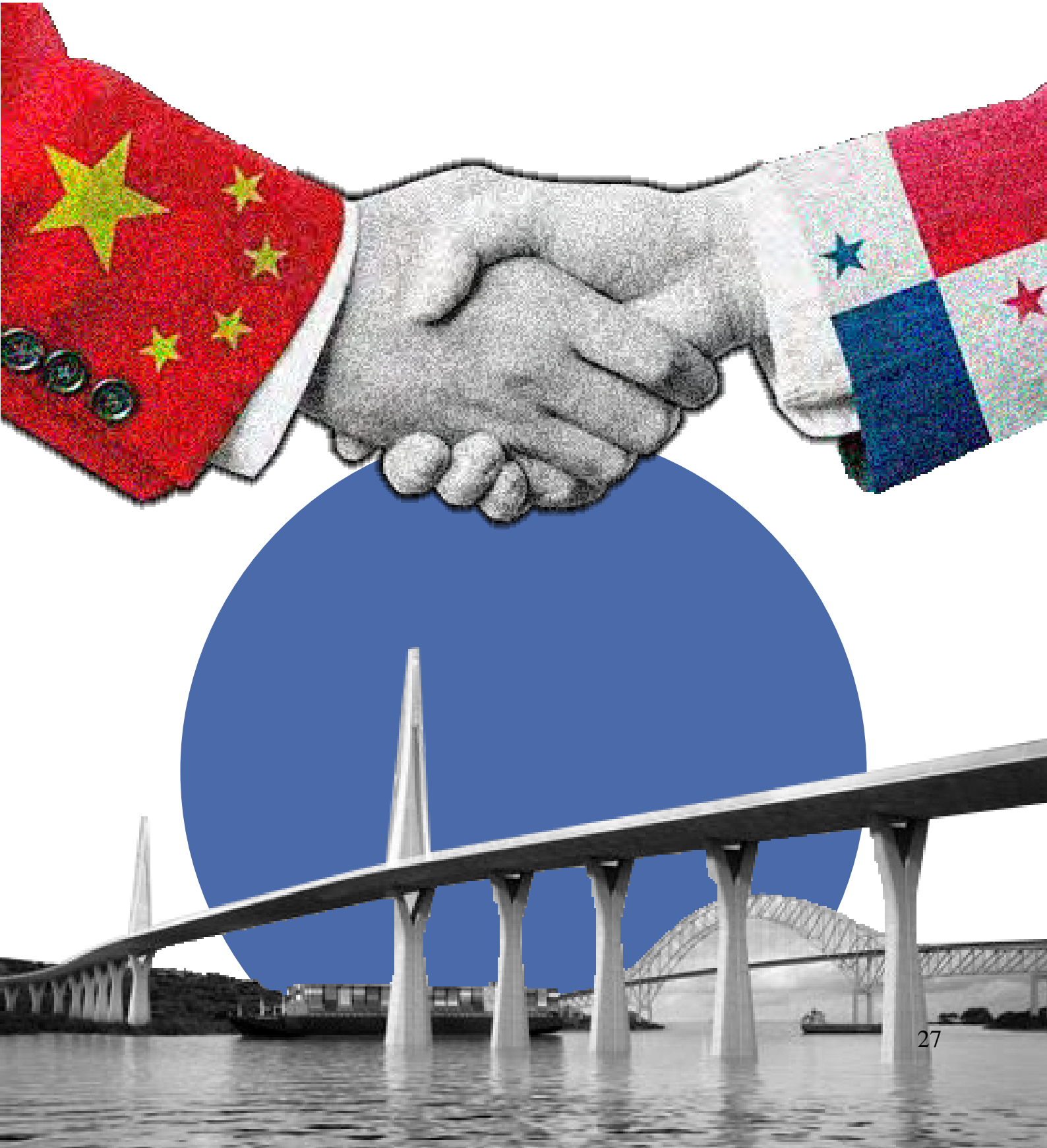
In 2023, some media reported about the possible discontinuation of Norwegian Cruise Line's operations in that port (homeport) (Gordón, 2023); however, after meetings with executives of China Harbour Engineering Company and the Panamanian government, the cruise line retracted its initial position (Ministerio de la Presidencia, 2023).

The most significant infrastructure work that the PRC has undertaken in Panama is the fourth bridge over the Canal, awarded in 2018 to the Consorcio Panamá Cuarto Puente (CPCP), composed of China Communications Construction Company Ltd and China Harbour Engineering Company (González Jiménez, 2018). Initially, the project was the subject of a controversial bidding process with multiple delays, with an estimated cost of \$1.42 billion, which was not the best price among the participants (Rodríguez, 2018).

In addition, as pointed out in a press release, the companies that make up the consortium had multiple accusations of fraud, collusion, corruption, and abandoned unfinished million-dollar works (Prieto-Barreiro, 2018). Then, some problems arose due to the link between the project and the third line of the Panama metro, the financing of the work, and some changes regarding its design.

The project was suspended during the Cortizo administration, and it was not until an addendum was signed on March 30, 2023, a few days after First Quantum and the State reached an agreement on the new concession, that the project was reactivated (Almanza, 2023).

Due to limited access to information and lack of transparency in public contracting, there is little information regarding addenda, overpricing, and other irregularities related to these infrastructure projects. This raises the need for civil society organizations to develop a monitoring and oversight mechanism on the participation of companies controlled by and/or affiliated with the PRC and the CCP in public procurement processes in Panama.



## VII. COLON C2, SAN MIGUELITO & SECURITY

In 2018, the Security and Emergency Operations Center-Colón C2 was inaugurated due to the cooperative relations between Panama and the PRC. It was a non-reimbursable cooperation project for an amount close to US\$10 million, which had been initiated before the establishment of diplomatic relations between the two States in 2016 (Ministerio de Relaciones Exteriores de la República de Panamá, 2018b).

The model used for this center was the “Shenzhen Safe City,” equipping the C2 with “state-of-the-art technology,” including 291 video surveillance towers, high-resolution cameras in 92 locations, 11 panic buttons, and five highway arches with license plate readers, computerized unit dispatch systems, video analysis, and facial recognition (Ministerio de Relaciones Exteriores de la República de Panamá, 2018b).

The “Shenzhen Safe City” model is, without a doubt, problematic. Shenzhen is home to a host of tech companies linked to the surveillance of ethnic minorities persecuted by the PRC and CCP, particularly the Uyghurs. Through facial recognition and artificial intelligence, they have developed a draconian, Orwellian, and techno-dystopian system of surveillance to the detriment of the human rights of millions of people (Standaert, 2018).

That is why the choice of this “model” is curious. Likewise, the involvement of the technology company Huawei in C2 should be highlighted since there is a plurality of documents revealed in 2021 that links the company to domestic surveillance and espionage programs against the Uyghurs in Xinjiang (Ni, 2021).

This is far from an anomaly. In February 2023, Suzhou-based Chinese company Hillstone Networks signed an agreement with the University of Panama to “provide technology transfer and donate a cybersecurity laboratory at the San Miguelito Regional Center of the University of Panama” (Eduardo Flores C. [@eflorescastro], 2023).

The choice of Colón and San Miguelito to undertake surveillance and cybersecurity projects should be carefully analyzed as they are the areas of Panama with the highest gang presence and highest homicide rates.

Security cooperation between Panama and the PRC has yet to be developed substantively. However, the PRC’s focus on technology, cybersecurity, surveillance, and artificial intelligence, and its particular attention to certain areas of the Central American country point to another juncture in which, due to Panama’s already known strategic deficiencies, the right conditions are presented to exploit them and thus increase the PRC’s level of influence.



## VIII. ILLEGAL, UNREPORTED AND UNREGULATED FISHING

Panama has the largest merchant marine registry in the world, with almost 23% of the world's cargo capacity. Alongside Panama are the flags of Liberia, the Marshall Islands, the Bahamas, Malta, Cyprus, Antigua and Barbuda, and Bermuda, which are classified as flags of convenience because they are sometimes used to hide the ownership of the ship – its ultimate beneficiary – and perpetrate crimes. These flags are also criticized for lax regulations on working conditions and their involvement in environmental disasters, including oil spills.

This situation has not been foreign to the PRC and the CCP, who have proceeded to exploit the opacity that prevails in the Panamanian registry. In particular, reports have emerged of the participation of Panamanian-flagged vessels controlled by the PRC in illegal, unreported, and unregulated fishing in the American Pacific.

Thus, the presence of a Chinese fishing fleet with reefer or mother ships flying the Panamanian flag and controlled by Chinese fishing companies is worrying, as they have violated the exclusive economic zone of a plurality of States, including Ecuador, Argentina, and Chile (Pelcastre, 2022).

This is especially contrasting if one considers that Panama could proceed with the ex officio cancellation of the registration of these mother ships that participate in illegal fishing. Similarly, we cannot forget that Panama is part of the Eastern Tropical Pacific Marine Corridor, an initiative aimed at the proper management of biodiversity and marine and coastal resources, as well as avoiding the overexploitation of natural resources, precisely the resources against which illegal Chinese fishing threatens (Zea & Carrere, 2022).



## **IX. BEYOND POLITICAL INFLUENCE: EDUCATIONAL AND CULTURAL COOPERATION**

In May 2023, a CCP delegation visited Panama and met with leaders of former President Juan Carlos Varela's Panameñista Party (Olivares, 2023). Although this meeting did not arouse significant reactions in the media, it is the continuation of a rapprochement between the two parties that dates back to 2017, after the establishment of diplomatic relations, and that, in its execution, has involved different organs of the Panamanian State.

These visits included a Politburo member in 2018-19 (Metro Libre, 2019) and the vice minister of the international department of the CPC Central Committee (Olivares, 2023). The latter visit also included meetings with senior dignitaries from the National Assembly and the Municipality of Panama.

With the arrival of the Laurentino Cortizo administration, relations between Panama and the PRC went through a cooling period. Nevertheless, the PRC's political influence has been evident within the narrative and phraseology used by former Foreign Minister Erika Mouynes, akin to the CCP's revisionist model of the rules-based international order. This became even more evident in the aftermath of the COVID-19 pandemic and in light of the Russian Federation's war of aggression against Ukraine.

The first point that deserves to be analyzed was the visit made by a delegation of senior officials of the Panamanian Foreign Ministry to Beijing, led by Foreign Minister Mouynes. At the time of the visit, China was in a delicate situation in terms of its zero-COVID-19 policy, limiting the entry of commercial flights into the country. According to media reports, the Panamanian Foreign Minister had chartered a plane from Japan to mainland China without clarifying who had paid for the flight (Crítica, 2022a).

In the bilateral meeting that Mouynes held with Chinese Foreign Minister Wang Yi, according to CGTN, the Panamanian Foreign Minister asserted that Latin America and the Caribbean are not the backyard of any State. Likewise, it rejected the unilateral sanctions easily imposed by some States in the context of the Ukraine “issue,” requesting, in turn, the support of China – a non-member state of the Neutrality Protocol – to maintain the neutrality of the Panama Canal in such an “issue” (CGTN, 2022).

Even before his trip, Mouynes had expressed his intention for China to adhere to the Protocol, also emphasizing that at a time “when a new world order is developing, Panama positions its agenda and establishes interlocutors with different strategic blocs” (Ministerio de Relaciones Exteriores de la República de Panamá, 2022a).

Subsequently, Josep Borrell, the European Union’s High Representative for Foreign Affairs and Security Policy, visited Panama. In a joint press conference, Mouynes noted that “the reorganization of a new global geopolitical order requires us to adopt innovative intra- and inter-regional coordination positions” (Reyes, 2022).

Following the visit of U.S. Secretary of State Anthony Blinken, Mouynes published an article entitled “Panama in the Face of the New World Order,” in which, among other things, she advocated for multipolar and balanced diplomacy (Mouynes, 2022). Such concepts of “multipolarity” would be reiterated by the Panamanian Foreign Minister at a meeting of the Inter-American Development Bank (IDB) (Ministerio de Relaciones Exteriores de la República de Panamá, 2022b).

Finally, in commemoration of the fifth anniversary of the establishment of diplomatic relations between Panama and the PRC, Mouynes declared that “our friendship with China brings to our foreign policy the necessary vision and equidistance in the face of the challenges that the new world order and



multipolarity hold for which Panama is committed with leadership” (Xinhua, 2022). Including these terms within the discursive arsenal of the Panamanian Foreign Ministry indicates how the PRC and the CCP can potentially exert their influence and shape the Panamanian narrative towards a position favorable to their revisionism.

The lack of transparency and the absence of democratic convictions, as well as a narrative in favor of human rights, have been a sustained trend in Panama’s current foreign policy, a fact that constitutes one of the strategic weaknesses of the Central American country. Therefore, it would not be a strange occurrence for such weaknesses to be exploited by disruptive actors.

The above, if read in conjunction with the little or no importance that Panama has given to situations such as those in Xinjiang, the Uyghur genocide, or that of the Permanent Court of Arbitration of The Hague in favor of the Philippines, suggests a certain Panamanian affinity towards the revisionist model proposed by China. All this, through equidistant and multipolar diplomacy, for the sake of establishing a new world order.

The absence of a position on sensitive issues involving the PRC has not been a historical constant in Panama. Before the establishment of diplomatic relations, Panama promoted the admission of Taiwan to multilateral organizations. This does not imply, either, that the position was aligned with the country now governed by Tsai Ing-Wen.

At times, Panama took positions to the detriment of the interests of both the PRC and the island. An excellent example of this was the position adopted by Ricardo Martinelli’s administration concerning the dispute over the Diaoyu or Senkaku Islands in favor of Japan, a position that, at the time, infuriated both Taipei and Beijing (La Estrella de Panamá, 2012).

The influence of the PRC and the CCP in Panama goes beyond the political-diplomatic realm and has permeated the cultural and educational part. The presence of the Confucius Institute at the University of Panama and the establishment of the Asia-Panama Center for Strategic Studies are two good examples of this.

The PRC and CCP project their soft power in Panama through both institutions, through courses, scholarships, paid visits to China, and academic activities. Recently, the Fa Yen Charitable Foundation, which has been in Panama for nearly a hundred years but now works closely with the PRC Embassy, has gained notoriety. There are also other organizations affiliated with the PRC and CCP, including the Panamanian-China Friendship Foundation (APACHI, by its acronym in Spanish) and the Association of Panamanian Graduate Professionals of China.



## X. CONCLUSIONS

The Republic of Panama is not prepared to expand its relationship with China from an economic, geopolitical, strategic, and accountability perspective. Panama's notable shortcomings in terms of values such as democracy, human rights, and transparency pose an unbalanced relationship.

China and the CCP have the material capacity to influence Panama significantly. Control over the ports of Cristóbal and Balboa is only part of the influence exerted by a disruptive actor like the Asian giant in a strategically important country like Panama. Projects such as the fourth bridge over the Canal, the cruise port, and the convention center in Amador, and its presence on Isla Margarita are proof that the Chinese presence in the isthmus is real and has increased. The influence on infrastructure is quite visible, but it is not the only one.

The lack of a clear, coherent, and sustained foreign policy over time adds an additional layer of complexity. Currently, China and the CCP have a significant level of influence at the political level and even actively influence foreign policy values and principles.

In this sense, the position of former Foreign Minister Mouynes is quite illustrative. The incorporation of language akin to that of the Chinese government in her language before and after her visit to China provides us with an insight into how diplomacy can influence the structuring of discourses contrary to the liberal international order.

Another excellent example of this is Panama's position regarding China's refusal to adhere to the Canal's neutrality protocol. So are the country's positions on freedom of navigation worldwide and illegal, unreported, and unregulated fishing, where China is, naturally, on the opposite side of Panama.

In general, it can be stated that in Panama, there is a lack of knowledge and understanding of what China represents, what its intentions are, and how diplomatic and commercial relations between the two States should be conducted.

The Panamanian side has also failed to realize that, in a dynamic and rapidly changing geopolitical environment, China is an actor that tends to take advantage of and exploit the strategic weaknesses of other nations to shape the international system according to its revisionist intentions. The lack of sophistication in the public, academic, and media debate is also exploited by the PRC and the CPP.

A starting point to mitigate this reality is for Panama to guide its relationship with China on values such as democracy, freedom, human rights, and transparency, despite the fact that these constitute, in turn, our strategic weaknesses.

It is also necessary to recognize the strategic interests of the Panamanian side and bring them to the core of the relationship, such as freedom of navigation, the neutrality regime of the Panama Canal, and the preservation of the institutions of the rules-based international order.

Such adjustments would make it possible to recalibrate the Panama-China relationship, promoting a harmonious balance between them, as well as the development of friendly relations based on mutual respect and the appreciation of public international law.

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