



CORROSIVE CHINESE CAPITAL IN PANAMA

**ALONSO ILLUECA &
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**EXPEDIENTE
ABIERTO**



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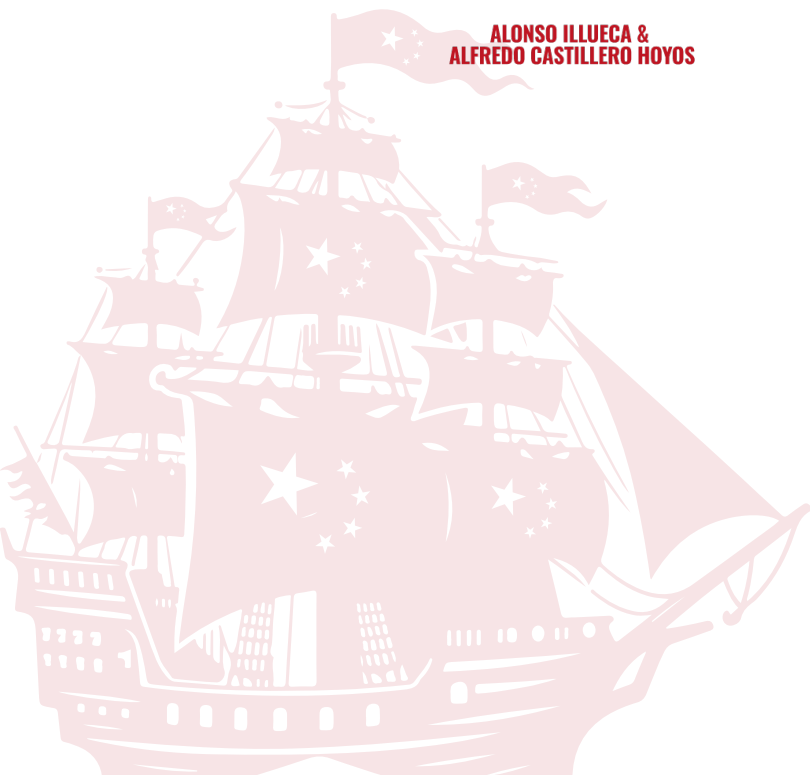


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EXECUTIVE SUMMARY

Panama established diplomatic ties with the People's Republic of China (PRC) and severed its relations with Taiwan in 2017. This shift marked a significant increase in China's economic presence in Panama, facilitating the entry of "corrosive capital," which refers to investments characterized by a lack of transparency, accountability, and market competition, typically backed by authoritarian regimes.

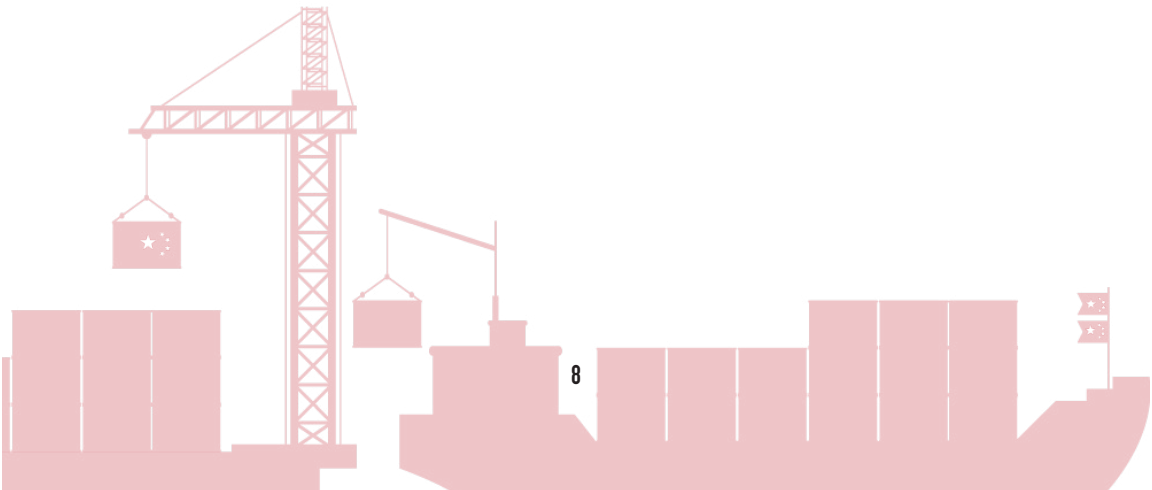
The PRC's corrosive capital in Panama exploits the weaknesses of the young Central American democracy, taking advantage of its relatively weak institutions, insufficient regulations, low corruption control indices, and the fragility of local civil society. As seen in other countries, this combination of factors allows the PRC's corrosive capital to penetrate easily.

A large portion of the investment from the People's Republic of China (PRC) in Panama can be classified as corrosive capital. Although labeled as "private," many companies are subordinated to the control of the Chinese Communist Party (CCP), making them an ideal channel for the Chinese government to use these structures as tools to promote its political and economic influence in the country. This phenomenon highlights an exploitation of Panama's institutional weaknesses. Although the Constitution prohibits direct foreign control over national territory (except embassies), this regulation is not rigorously enforced and contains significant legal loopholes. These gaps have allowed CCP-linked companies to gain substantial control over strategic projects.

The presence of China's corrosive capital in Panama manifests in five forms: foreign direct investment, public procurement, development assistance, commercial loans, and portfolio investments. All these investments share patterns of opacity, corruption, and practices contrary to free competition, mainly seen in infrastructure projects.

For example, Panama's diplomatic transition from Taiwan to the PRC in 2017 was surrounded by controversy. Among the most notable allegations was a supposed \$142 million bribe to former President Juan Carlos Varela to facilitate the establishment of relations with China. While some defended this as "non-reimbursable economic cooperation," the case illustrates how the PRC continually uses forms of assistance to introduce corrosive capital into the country.

The forty-seven agreements signed between Panama and China during the establishment of relations included formalizing diplomatic ties, eliminating diplomatic visas, creating mechanisms for political consultations, and promoting cultural and educational cooperation. They also encompassed strategic, economic, and technical cooperation in investment, trade, transportation, agriculture, and Panama's incorporation into the Belt and Road Initiative. Additionally, studies were agreed upon for a free trade treaty, a railway project, and agreements on air and maritime transportation, tourism, and extradition. However, the lack of clear information about these agreements and the handling of funds raised concerns about their use to advance PRC political influence in the country.



Indeed, after Panama and the PRC established relations, several companies became involved in controversial projects that fall under the concept of corrosive capital from the PRC permeating the country:

1. Hutchison Ports PPC: Operator of the Balboa and Cristóbal ports. Its concession renewal in 2021 was questioned due to a lack of transparency. The company has also been criticized for blocking free competition in the port market.

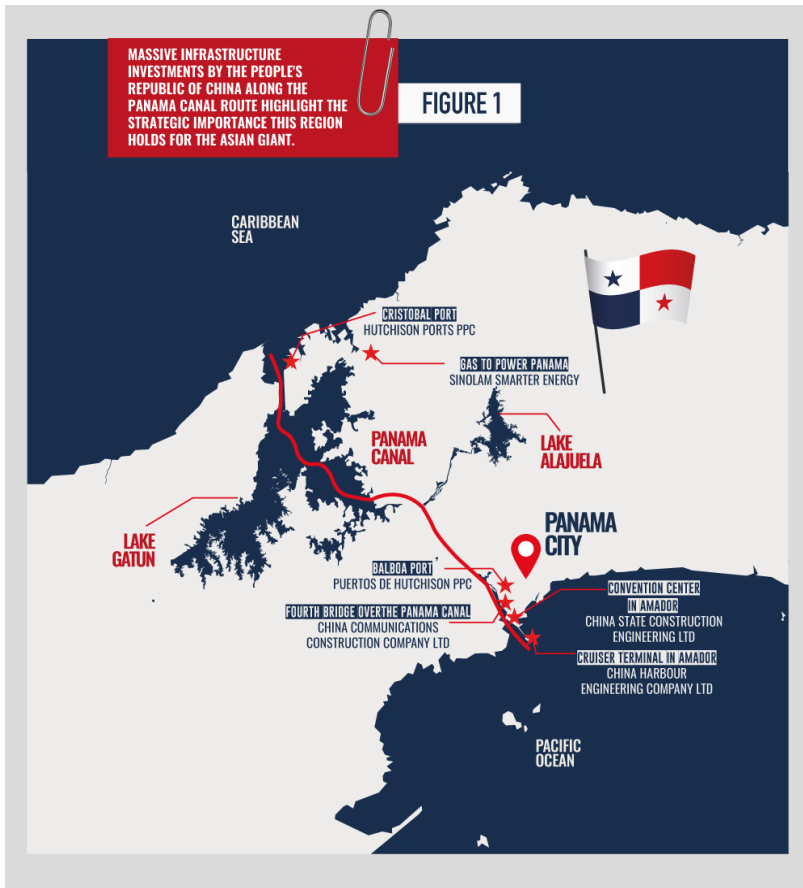
2. China State Construction Engineering Ltd (CSCE): Tasked with completing the Amador Convention Center. This company was selected despite being sanctioned by the World Bank for collusive practices.

3. China Harbour Engineering Company Ltd (CHEC): Responsible for the Amador cruise port, which faced significant cost overruns and delays. CHEC has also been linked to corrupt practices in other countries.

4. Landbridge Group: Its concession to develop the Isla Margarita project was canceled due to contractual breaches, highlighting the risks of its involvement.

5. Sinolam Smarter Energy: Its thermal generation project experienced delays, increased energy costs, and concerns over its link to inflation and the social crisis.

6. China Communications Construction Company Ltd (CCCC): Despite being sanctioned by the U.S., it leads the Fourth Bridge over the Panama Canal project, raising concerns over irregularities in its bidding process.



As demonstrated by these investments, many are concentrated around the Panama Canal. The concentration of these capitals near this critical commercial route suggests China's strategic interest. Companies like Hutchison Ports and CHEC, along with the PRC's interest in acquiring the trans-isthmian railway, developing the Panama-David train, or building the Chinese embassy on the canal's banks, among other projects, reveal a clear strategy to exert influence over this critical zone of global trade.

The presence of corrosive capital has already generated instability in Panama. In 2023, the renewal of the mining concession to First Quantum Minerals sparked massive protests. While the demonstrations did not directly target Chinese shareholder participation, the involvement of the PRC's state-owned Jiangxi Copper in the mining investment highlighted the risks associated with corrosive capital in strategic sectors like mining. The First Quantum case underscores the importance of copper in the global energy transition and China's influence in this market. With 60% of Panamanian copper destined for China, the CCP's control over this resource carries significant geopolitical implications.

In 2025, with the arrival of Donald Trump to the White House, the United States has been exerting incremental pressure on Panama based on an allegation of a supposed Chinese control over the Panama Canal. At this juncture, the United States appears to be instrumentalizing the presence of Chinese corrosive capitals in Panama to support its expansionist ambitions, to the detriment of Panamanian sovereignty. In this sense, we could be facing a new form of geopolitical coercion by a third state, using the real and present threat of corrosive capitals for expansionist and hegemonic purposes.

Panama's institutional weakness facilitates the penetration of such capitals, compromising its sovereignty and democratic stability. Although legal provisions exist to counter these practices, local authorities' lack of political will and interest in increasing Chinese investment hinder their enforcement.

The possibility of a Free Trade Agreement with China could exacerbate this situation, allowing an even greater flow of corrosive capital. To prevent this, Panama must prioritize diversifying its supply chains, improving transparency, and strengthening its democratic institutions.

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According to the Center for International Private Enterprise, corrosive capital refers to state or private financing from authoritarian nations that lacks transparency, accountability, and orientation toward a competitive market, resulting in corruption and governance problems.



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1. TOWARDS THE ANALYSIS OF THE INFLUENCE OF CORROSIVE CHINESE CAPITAL IN PANAMA

In 2017, in a surprising and abrupt move, Panama broke bilateral relations with the Republic of China – Taiwan and adopted the principle of One China, thus establishing diplomatic relations with the People's Republic of China (hereinafter China or PRC). Since then, the economic presence of China in Panama has accelerated rapidly. This has facilitated the entry of corrosive capital into the country.

According to the Center for International Private Enterprise¹, corrosive capital refers to financing, whether state or private, from authoritarian nations that lack transparency, accountability, and competitive market orientation, resulting in corruption and governance issues (CIPE, 2018). The corrosive effect of capital flowing from autocracies is independent of its source—be it public or private—and the type of financing behind it. Generally, corrosive capital penetrates the jurisdiction of other states through conditional loans and official development assistance, also known as non-reimbursable economic cooperation (CIPE, 2018). Regarding the latter, in most cases, despite its designation, it tends to be conditional (Agencia EFE, 2024b).

The main characteristics of corrosive capital include that (1) it flows from authoritarian regimes to relatively new democracies, (2) it enters in a non-transparent manner, (3) it is subject to little oversight, and (4) it does not adhere to market competition (Claro et al., 2021). Such capital manifests in various ways, including (1) foreign direct investment, (2) investments through public procurement and commercial loans, (3) development assistance, and (4) portfolio investments (Claro et al., 2021). Through corrosive capital, authoritarian countries aim to exploit

¹ The CEPI is one of the four institutes of the National Endowment for Democracy (NED), a U.S.-based organization dedicated to the defense and promotion of democracy.

deficiencies in other states, such as weak enforcement of labor or environmental regulations, unreliable or weak rule of law, the lack of independent institutions to oversee government finances and decision-making, and the presence of a weak and inactive civil society (Claro et al., 2021).

It is necessary to clarify some aspects regarding the characterization of “corrosive” capital originating from China. First, China is an authoritarian regime. According to the Freedom in the World Index, China is classified as a non-free country, with a score of 9 out of 100, where 0 represents the lowest degree of freedom and 100 the highest (Freedom House, 2024). Additionally, regarding internet freedom, the regime imposes significant obstacles to access, strict content limitations, and violations of user rights, also earning a score of 9/100 (Freedom House, 2024). Specifically, there is consensus that the Chinese Communist Party (CCP) is the ultimate authority in all matters related to business in China (McGregor, 2019). Therefore, the definition of corrosive capital used in this study encompasses both state and private financing—regardless of the extent of state influence over the latter in practice, as it originates from an authoritarian nation like China.

In some areas of the literature, there is confusion between public and private activity in China, particularly concerning foreign direct investment (FDI) originating from this country (CIPE, 2018). In 2011, government-directed Chinese enterprises accounted for 89% of what is classified as “private” Chinese investment abroad (CIPE, 2018). These figures would likely be even more significant today, considering that since the 2019-2020 protests in Hong Kong, the PRC’s control over the “special administrative region” has increased, raising questions about the region’s autonomy (Mahtani et al., 2024). This would undoubtedly affect that remaining 11% of “private” Chinese investment abroad.

Another main characteristic of corrosive capital is the lack of transparency and accountability. In this sense, the best tool to illustrate these shortcomings in China is the Corruption Perception Index (CPI), which gives it a score of 43 out of 100, ranking it 76th out of 180 countries, with Bulgaria, Moldova, and the Solomon Islands (Transparency International, 2024).

Another peculiarity that characterizes corrosive capital is the lack of market orientation in the economy of its origin state. In China's case, it is a socialist market economy with Chinese characteristics, which should not be confused with the socialist-oriented market economy applied by Vietnam or the social market economy that is the goal of the European Union's economic policy. China operates a state-directed capitalist system where state-owned enterprises and public ownership predominate. For example, private companies, foreign-owned companies, and joint ventures or partnerships with foreign companies are required to maintain CCP cells within their structures (Graceffo, 2023). Furthermore, restrictions exist in so-called closed sectors, which are only open to foreign companies if they form joint ventures with a Chinese partner (Graceffo, 2023). In summary, Chinese capital fully fits CIPE's definition of "corrosive."

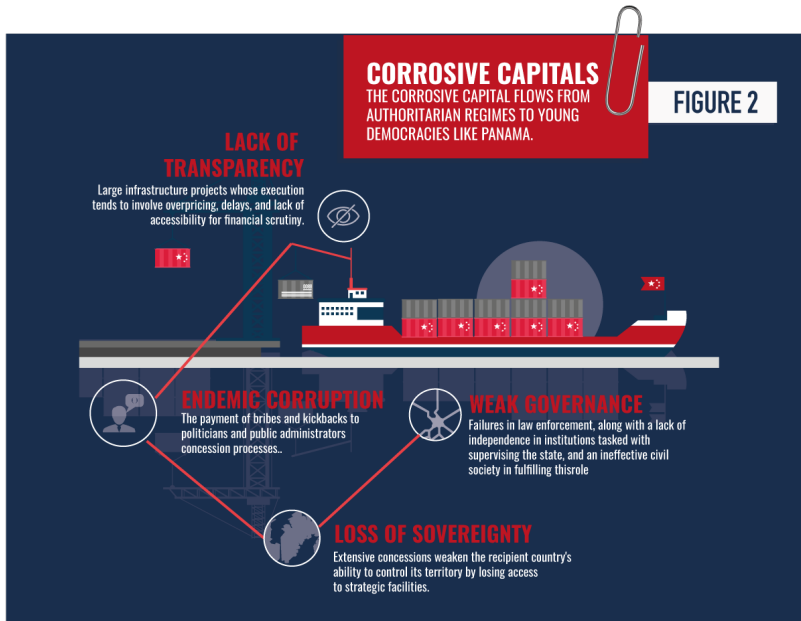
This case study presents a chronological analysis of PRC investments in Panama, starting with the establishment of diplomatic relations between China and Panama and the signing of a series of agreements under the category of non-reimbursable economic cooperation. It also delves into little-studied infrastructure projects such as the Panama Colón Container Port (PCCP) on Margarita Island and the Gas to Power Panama (GTPP) in Puerto Pilón, as well as the Fourth Bridge over the Panama Canal, awarded to the Fourth Bridge Consortium, formed by Chinese companies. Additionally, it considers China's role in Hutchison Ports PPC and its control of the ports of Balboa and Cristóbal, as well as the Asian giant's stake in First Quantum Minerals and its subsidiary Cobre

Panamá, the latter in light of protests against it that shook the country in October and November 2023. Finally, it includes an analysis of the PRC's efforts to influence supply and value chains in Panama, focusing on the failed attempt to purchase the Panama-Colón trans-isthmus railway and its interest in joining the Panama-David train project.



2. WHY PANAMA?

Panama is a relatively young democracy, even more so when compared to other Central American states. It was reestablished in 1989 through the use of U.S. military force against the Central American isthmus, ending the military dictatorship that ruled the country from 1968 to 1989. Since then, Panama has maintained its stability and democratic governance for more than thirty-five years without major disruptions, except for the events of October and November 2023 related to the renewal of the mining concession to the Canadian company First Quantum².



² Following the approval of a contract law granting a new mining concession to a subsidiary of the Canadian company First Quantum Minerals, the largest mobilizations in Panama's democratic history since 1989 took place. Over 43 days, hundreds of thousands of Panamanians took to the streets demanding the abolition of the contract with FQM's subsidiary and the declaration of the country as free from metallic mining. On November 28, 2023, Panama's Supreme Court of Justice declared the contract unconstitutional for violating 25 articles of the Constitution. This was a unique event in Panama's short democratic history and a demonstration of self-determination, during which protesters coined the phrase "Panama's gold is green," reflecting the Panamanian people's commitment to a sustainable and green future.

The Freedom in the World Index 2024 categorizes Panama as a free country with a score of 83 out of 100 (Freedom House, 2024). Similarly, the Democracy Index gave Panama a rating of 6.91 on a scale of 10 (The Economist Intelligence Unit, 2024), while the Democracy Report continues to classify Panama's system as an electoral democracy (V-Dem, 2024).

Panama and its young democracy suffer from many deficiencies, including a weak rule of law with the consequent reliability problems, lack of institutional independence in overseeing government finances, and decision-making. In this sense, the results obtained by Panama in the CPI are quite illustrative of this reality (Transparency International, 2023). In 2023, Panama obtained a low score of 35 out of 100, ranking 108th out of 180 countries. Similarly, Panama has a civil society whose development has been slower compared to other countries in the region, with most organizations linked to political and economic elites. The few civil society organizations that have emerged and transcended this peculiarity are focused on specific topics such as environmental preservation, judicial reform, human rights for vulnerable groups, cultural and ethnic identity preservation, and anti-corruption efforts (ICNL, 2020).

In constitutional terms, Panama has regulations that would, in principle, prevent the penetration of corrosive capital. This refers to Article 290 of the Political Constitution, which establishes that “No foreign government nor any official or semi-official foreign entity or institution may acquire ownership of any part of the national territory, except in the case of embassy sites as stipulated by law.” From this, it follows that no authoritarian regime could, directly or indirectly—through companies it controls—obtain any type of concession or tender, as this would constitute an exercise of ownership. However, this regulation has never been strictly enforced, allowing companies controlled by authoritarian regimes to exercise dominance through awarded concessions or tenders. All these

factors have contributed to Panama attracting strategic corruption. This type of corruption is implemented in practice by autocracies through the deliberate use of corrupt practices by their commercial representatives, who seek to promote the foreign policy objectives of their regimes, including participation in large infrastructure projects, control of key ports, and the global supply chain (IRI, 2021). This form of corruption encompasses the deployment of corrosive capital and malign financing³ by authoritarian regimes to co-opt the institutions of the target state (IRI, 2021).

Panama represents an interesting case study, as the flow of corrosive capital can be delimited in a specific timeframe, from the establishment of diplomatic relations between China and Panama in 2017 to the year 2024, with China expressing interest in participating in the railway project that would connect the entire country, from Panama City to the city of David, and with the potential to eventually extend to all of Central America. During this period of more than seven years, Chinese corrosive capital has manifested through foreign direct investment, investments via public procurement, commercial loans, development assistance, and portfolio investments. A retrospective analysis of these investments also makes it possible to assess, from a strategic and informed perspective, the demands of the United States amid the current bilateral crisis with Panama regarding the alleged Chinese control over the Panama Canal. Below are the most relevant examples of these five manifestations.

³ Malign finance is a mechanism used by authoritarian regimes such as those in Russia and China to interfere in democracies. It includes the funding of foreign political parties, candidates, campaigns, well-connected elites, or politically influential groups, often through non-transparent structures designed to obscure links to a national state or its representatives.

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In Panama, Chinese corrosive capital has manifested through foreign direct investment, investments via public procurement, commercial loans, development assistance, and portfolio investments.



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3. THE ESTABLISHMENT OF DIPLOMATIC RELATIONS: ECONOMIC COOPERATION OR BRIBERY?

In 2017, Panama and Beijing announced the establishment of diplomatic relations. This establishment of diplomatic relations caused a domino effect in the region, continuing in El Salvador (2018), the Dominican Republic (2019), Nicaragua (2021), and Honduras (2023), all rapidly switching their recognition from Taipei to Beijing.

From the beginning, the relationship between Panama and China was not free from controversy. Topics such as the signing of forty-seven agreements between the two states⁴ and the possible construction of the Chinese embassy on the Pacific coast of Panama (Coriat, 2019), right at the entrance to the Canal, were subjects of discussion and concern in public opinion. However, no issue received more notoriety than an alleged bribe of 142 million dollars that then-President Juan Carlos Varela (2014–2019) supposedly received in exchange for establishing relations with the PRC and severing ties with the Republic of China (Taiwan) (France24, 2019). These allegations arose following leaks from the former Panamanian president's WhatsApp messages (France24, 2019). In these circumstances, the Chinese Embassy itself was forced to publicly deny the claims (France24, 2019).

⁴ Some of these agreements addressed issues related to the establishment of diplomatic relations, including the conversion of trade representations into embassies, the removal of visa requirements for diplomats, the creation of mechanisms for political consultations, the establishment of consulates, cultural exchanges, and educational cooperation. Others were linked to strategic, economic, and technical cooperation mechanisms in areas such as investment, export-import, e-commerce, transportation, and agriculture, as well as Panama's receipt of non-reimbursable economic cooperation.

Additionally, other agreements included Panama's incorporation into the Belt and Road Initiative, a joint feasibility study for a potential free trade agreement, and another study on a railway project connecting Panama Province to Chiriquí Province. They also covered issues related to civil aviation, maritime transportation, and tourism. An extradition agreement was also signed between the two states.

The issue of the alleged bribe regained prominence in 2023 when the then-Minister of the Canal, Aristides Royo, requested the resignation of a director of the Panama Canal, Jorge González, who had also served as Minister of the Presidency during the administration of Juan Carlos Varela. Apparently, this request came after González was denied entry to the United States of America. In this context, he was questioned about his involvement in the establishment of diplomatic relations with China and his contacts with the Chinese Ambassador to Panama, Wei Qiang (Coriat, 2023). González did not resign under pressure, but the alleged bribe from China returned to the public sphere.

One of the defenses presented by sectors close to former President Varela is that the alleged bribe of 142 million dollars was merely the total amount Panama had received through non-reimbursable economic cooperation with China. This mode of cooperation materialized in at least three of the forty-seven agreements signed between Panama and China after establishing diplomatic relations (MIRE Panama, 2017a). On December 7, 2017, a non-reimbursable economic cooperation agreement of 100 million yuan, equivalent to about 14 million dollars, was signed to finance Chinese cooperation projects in Panama. Meanwhile, on July 16, 2018, another agreement was signed for the implementation of the feasibility study of the railway project from Panama Province to Chiriquí Province for 99 million yuan, approximately another 14 million dollars. That is, the sum of both amounts converted to dollars would be close to 28 million.

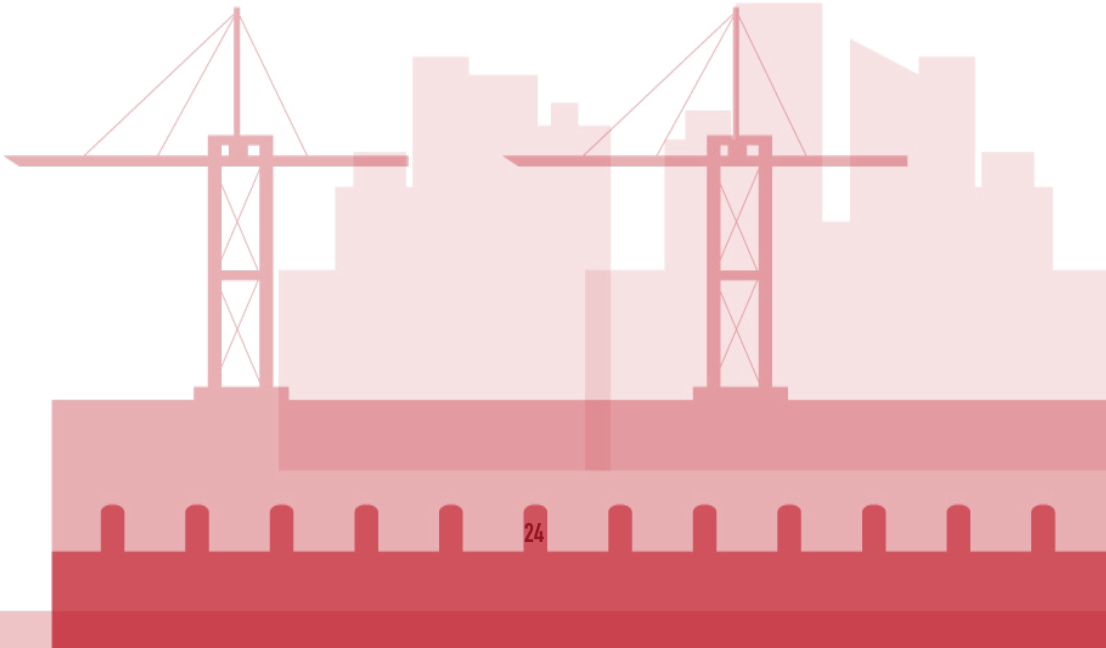
While the agreed amounts converted to dollars represent only 20% of the 142 million in dispute, the brief text of another agreement signed between Panama and the PRC explains many things. This is the Economic and Technical Cooperation Agreement between the governments of Panama and the PRC, signed on December 3, 2018. This agreement supports the thesis that the amount in question could have been delivered to Panama not as a bribe but through non-reimbursable economic cooperation.

The agreement consists of only two articles, establishing in the first that China agrees to provide Panama “non-reimbursable cooperation, intended to finance projects agreed upon by both Parties.” The same article adds that “specific details will be determined later by both parties through the signing of specific agreements.” This is concerning for several reasons, mainly in terms of transparency.

The first concern is related to the secrecy that initially surrounded the forty-seven agreements signed between Panama and China. Initially, these agreements were not published. Under pressure from civil society, the Panamanian Ministry of Foreign Affairs limited itself to publishing a list and a description of them (MIRE Panama, 2018). Some descriptions referred to a certain degree of confidentiality in some agreements. Only after the submission of various access to information or habeas data requests and pressure from civil society groups were the agreements published in full on the Ministry of Foreign Affairs’ website (MIRE Panama, 2017a). This is why there remains concern that the specific agreements mentioned in the 2018 Economic and Technical Cooperation Agreement may suffer from the same opacity that initially plagued the forty-seven agreements signed between Panama and China. To date, it is unknown if any of these specific agreements have been signed.

The lack of transparency regarding non-reimbursable economic cooperation schemes between Panama and China seems to be a constant. In September 2023, the Chinese Cooperation Agency announced that it was evaluating a series of non-reimbursable cooperation projects proposed by Panama (Swissinfo, 2023). It is worth noting that the proposal dates back to 2021, with plans to be executed in 2022 for the development and execution of cooperation projects in the social sector (Swissinfo, 2023). To date, it is unknown whether these projects were implemented and if they were part of the general framework of non-reimbursable technical cooperation agreed upon in the 2018 agreement.

The second concern relates to the destination of the funds received through non-reimbursable economic cooperation. According to the Cooperation Plan of the Ministry of Foreign Affairs of Panama, after the enactment of Law No. 5 of 2015 and the signing of an inter-institutional agreement between that Ministry and the Ministry of Economy and Finance, the Vice Ministry of Multilateral Affairs and Cooperation of the Ministry of Foreign Affairs is responsible for “managing international non-reimbursable cooperation, originating from bilateral sources and those framed within the United Nations System” (MIRE Panama, 2017b). This implies a lack of transparency, oversight, and control by Panama’s corresponding entities, affecting the very institutional framework of the State. Based on the aforementioned factors, the funds received by Panama as non-reimbursable cooperation from China fit within the definition of official development assistance. This is one of the typologies that authoritarian countries typically use to introduce their corrosive capital into other jurisdictions.



4. THE VEHICLE: CHINESE COMPANIES

The vehicle used by the PRC and the CCP to insert their corrosive capital into Panama was through a significant number of Chinese companies, whose main focus of activity is large infrastructure projects. Below is a non-exhaustive analysis of the activities of the main Chinese companies that have entered the Panamanian market since the establishment of diplomatic relations. From this analysis, it can be inferred that if minimum standards of due diligence and compliance had been applied, the vast majority of these companies would not have been able to access the Panamanian market.

4.1 Hutchison Ports PPC

On January 16, 1997, through Contract Law No. 5, the Republic of Panama awarded Hutchison Ports PPC, a subsidiary of the Hong Kong-based company Hutchison-Whampoa (now CK Hutchison Holdings), a concession to operate the two main ports adjacent to the Panama Canal: Balboa on the Pacific and Cristóbal on the Caribbean. That same year, control of Hong Kong was transferred to Chinese hands under the conditions agreed upon in the 1984⁵ Sino-British Joint Declaration. These events would connect more than two decades later, due to the growing influence of the CCP in Hutchison Ports PPC. This influence fully materialized with the illiberalization of Hong Kong and the breakdown of the status quo agreed upon in the 1984 Joint Declaration, starting with the events of 2014 and worsening with the 2019-2020 protests. As a result, the PRC and the CCP had a level of influence and control similar to that exercised in other regions of mainland China, particularly over private companies.

⁵ Through this document, China agreed to maintain Hong Kong's preexisting structures of government, economy, and civil rights under the principle of "one country, two systems" for a period of 50 years following the handover, i.e., until 2047.



PHOTO: FLICKR // BRIANGRATWICKE. THE PORT OF BALBOA, LOCATED ON PANAMA'S PACIFIC COAST, IS THE MOST IMPORTANT PORT IN THE COUNTRY AND THE CENTRAL AMERICAN REGION, WITH THE CAPACITY TO HANDLE UP TO 5 MILLION CONTAINERS ANNUALLY.

In 2021, the Panamanian state renewed Hutchison Ports PPC's concession over the ports of Balboa and Cristóbal for another 25 years. The terms and conditions under which the concession renewal was agreed upon were considered a missed opportunity for Panama to secure more favorable terms than those originally agreed upon in 1997 (Nicholls, 2024). In this regard, greater levels of cooperation from the concessionaire should have been sought regarding transparency and accountability standards. Similarly, access rights to the facilities by port authorities should have been sought (Nicholls, 2024). This stems from various concerns regarding the lack of transparency with which Hutchison Ports PPC has operated in Panama, including the low levels of cooperation the Panamanian government receives from the concessionaire both at the ports and in its warehouses, due to an alleged right to restrict any entry by authorities to the Balboa and Cristóbal ports (Nicholls, 2024).

Another reason for concern among certain sectors is the supposed control now exercised by the PRC and the CCP over CK Hutchison Holdings following the illiberalization of Hong Kong and, consequently, over its Panamanian subsidiary Hutchison Ports PPC. For U.S. Southern Command Commander Laura J. Richardson, CK Hutchison Holdings is effectively a state-owned enterprise (Aitken, 2022). In reality, CK Hutchison Holdings is nominally a private conglomerate listed on the stock exchange, with its largest owner being a family of Hong Kong billionaires (Swanson, 2025). However, because Beijing has extended its national security laws to Hong Kong and the Chinese government has demonstrated a willingness to weaponize supply chains, the levels of control are much higher than nominally reported (Swanson, 2025). It is important to note that in recent years, Hong Kong has progressively lost its autonomy and is effectively under the control of the PRC and the CCP through its security law (Nicholls, 2023). In this sense, China's expansion in the Americas through the Maritime Silk Road is evident in Panama with the management of two critically important ports, one on each side of the Canal (Sly and Ledur, 2023).

In Panama's jurisdictional framework, Hutchison Ports PPC has carried out a series of actions in the political and judicial spheres aimed at preventing the free competition inherent to any open market economy and ensuring its control over the Pacific ports near the Canal (Jordán, 2015). The clearest example of this was Hutchison Ports PPC's active opposition to the Corozal⁶ port project through judicial and administrative annulment requests for the bidding process (Jordán, 2016) and direct contracting requests (Mundo Marítimo, 2015). This ultimately constitutes an act of financing practices contrary to a market-oriented approach (free competition), materializing into another form of corrosive capital.

⁶ The Corozal port project involved the construction of a container-handling port at the entrance to the Panama Canal on the Pacific side. This port would directly compete with the Balboa port, operated by Hutchison Ports PPC, breaking its monopoly and diversifying options for users of the Canal conglomerate.

In March 2025, a consortium led by BlackRock announced an agreement with CK Hutchison Holdings for the purchase of several port facilities owned by the Hong Kong-based conglomerate, including the ports of Balboa and Cristóbal (BBC News Mundo, 2025). The deal is valued at approximately 20 billion U.S. dollars. The announcement came after several months of crisis in U.S.–Panama relations, following allegations by the Trump administration regarding supposed Chinese control over the Panama Canal.

The agreement has drawn strong criticism from both the Hong Kong and Chinese governments. The Chief Executive of Hong Kong warned that the transaction warranted “serious attention” and that, like any other, it must “comply with legal and regulatory requirements,” adding that the government would handle the matter in accordance with the law and regulations (Stevenson, 2025).

The Chinese government, for its part, argued that the potential deal would deprive China of the necessary influence over key maritime routes (Morales Gil, 2025). Whether or not the transaction goes through will once again put to the test Hong Kong’s independence and the extent of Chinese interference, especially considering the imposition of national security and foreign relations laws on the Special Administrative Region.

On March 28, 2025, China’s market regulator announced that the deal was under legal review to protect fair competition and safeguard the public interest—an investigative process that has delayed the closing of the agreement (Reuters, 2025).

4.2. China State Construction Engineering Ltd

During the administration of Ricardo Martinelli (2009-2014), one of the multiple infrastructure projects undertaken was the construction of a convention center in Amador, on Panama's Pacific side, near the Canal entrance. In 2014, the consortium HPC-Contratas-P&V, S.A., which had been awarded the project, faced serious financial problems and was forced to halt construction (La Estrella de Panamá, 2015).

In 2015, before the establishment of diplomatic relations between Panama and China, the administration of Juan Carlos Varela (2014-2019) decided to continue the project with another contractor. Three companies showed interest: ICA of Mexico, Odebrecht of Brazil, and China State Construction Engineering of China (CSCE) (La Estrella de Panamá, 2015). Notably, in 2009, CSCE had been blacklisted by the World Bank for six years due to its involvement in collusive practices (Wroughton, 2009). The project was ultimately awarded to China Construction America, a subsidiary of the Chinese state-owned CSCE, in partnership with a Panamanian company, Construcciones Civiles Generales (COCIGE). At no point was it relevant that CSCE had been sanctioned by the World Bank⁷.

In 2019, COCIGE entered bankruptcy proceedings, notifying its imminent insolvency, which prevented it from fulfilling its obligations as part of the consortium. This meant that CSCE's subsidiary took over

⁷ More recently, in 2023, Ukraine's National Agency on Corruption Prevention (NACP) declared CSCE an international sponsor of war (<https://nazk.gov.ua/en/news/they-are-building-on-blood-the-nacp-has-included-the-china-state-construction-engineering-corporation-in-the-list-of-international-sponsors-of-the-war/>). Additionally, this year, the World Bank declared CSCE in violation of environmental and labor rights in a road construction project in Bolivia (<https://www.business-humanrights.org/fr/derni%C3%A8res-actualit%C3%A9s/bolivia-world-bank-finds-chinese-state-owned-cscec-violated-labor-environmental-standards-in-road-project-locals-allege-insufficient-consultation-compensation/>).

the completion of the project (La Prensa, 2019a). The construction of the convention center was completed in 2021, after multiple delays, as its completion was originally scheduled for 2018, at a total cost of \$207 million, representing a \$14 million increase from the original price of \$193 million (Swissinfo, 2021).

4.3. China Harbour Engineering Company Ltd

In November 2017, President Varela traveled to Beijing and, alongside his counterpart Xi Jinping, signed nineteen of the forty-seven agreements previously mentioned. At the same time, it was announced that the Chinese state-owned company China Harbour Engineering Company (CHEC), a subsidiary of China Communications Construction Company (CCCC), would begin work on constructing a cruise port on Panama's Pacific coast, near the Canal entrance (Anderson, 2018)⁸.

The cruise port project represented, at the time, an investment of \$165 million for the state. The project was put out to public tender, in which only the consortium "Pacific Cruises China," composed of CHEC and Jan De Nul Panama of Belgium, participated (Panamá América, 2023). Initially, the consortium's bid was \$197 million, but because it was well above the reference price (\$165.7 million) and in the interest of not declaring the tender void, the consortium was allowed to modify its bid to match the reference price (Panamá América, 2023). The construction would not be completed until 2024, nearly seven years later and with a delay of almost five years⁹, being inaugurated by Laurentino Cortizo's government (2019-2024) at a cost of \$206 million (Pérez Sánchez, 2024).

⁸ The World Bank had barred CHEC from 2009 to 2017 for "fraudulent practices" in road construction projects in the Philippines. In other words, the agreement was executed as soon as the ban was lifted.

⁹ The delay in the project was due to the infrastructure being used for purposes other than its intended function, including shipyard operations. In 2020, Panamanian authorities attributed part of the delays to the suspension of construction work caused by the coronavirus pandemic.

This not only represented a significant price increase with a 24% cost overrun but also equaled and even exceeded the initial bid submitted during the tender.

CHEC has a complex history in Sri Lanka with the Colombo City Port and its 99-year lease (Stacey, 2017). Similarly, in Nigeria, the Chinese state-owned company successfully completed the construction of the Lekki Deep Sea Port at a cost of \$1.5 billion (Olander, 2022). This construction was financed by the China Development Bank (NDRC, 2022). Subsequently, CHEC obtained a 45-year concession on a “build, own, operate, and transfer” basis (Anagor-Ewuzie, 2021). In the region, the most emblematic cases of corruption involving CHEC are in Bolivia and Jamaica. In Bolivia, CHEC’s general manager in the country, Jin Zhengyuan, was dismissed for alleged involvement in a corruption case within the state road company (Swissinfo, 2022). In Jamaica, the construction of the “Montego Bay Perimeter Project” by CHEC has drawn criticism from the opposition, civil society, and anti-corruption groups due to the project’s opacity and the government’s use of its parliamentary supermajority to bypass oversight procedures for large infrastructure projects (The Cleaner, 2021).

Both the cases in Sri Lanka and Nigeria are good examples of China’s expansion through corrosive capital, materializing in practice as control over ports¹⁰. Meanwhile, the cases in Bolivia and Jamaica highlight the alleged involvement of this company in corruption and opacity in various jurisdictions across the region.

¹⁰ CHEC is not only attributed with being an instrument for projecting the strategic interests of the PRC in the region but is also accused in its projects in Bolivia (<https://www.eldiario.net/portal/2022/10/13/auditoria-de-empresa-china-chec-confirma-irregularidades-en-abc/>), Colombia (<https://www.infobae.com/colombia/2023/12/21/empresas-chinas-que-construyen-el-metro-de-bogota-no-tendrian-capacidad-para-ejecutarlo-desde-danos-ambientales-hasta-retrasos-en-otros-proyectos/>), and Costa Rica (<https://centroamerica360.com/politica/la-ruta-32-107-kilometros-de-un-costoso-embrollo-chino-en-costa-rica/>) of engaging in corrupt practices, polluting methods, abusive expropriations, negligence in maintaining work sites, unjustified delays, and the use of low-quality materials. Outside the region, in Bangladesh, it has been accused by government officials of corrupt practices

This should raise alarms for Panama, as it is not only the same company, CHEC, with a history of being used as a vehicle for exercising control over port facilities and perpetrating corruption through corrosive capital, but also because ports like the one built in Amador have potential dual uses—both civilian and military.

4.4 Landbridge Group¹¹

Another company linked to the CCP that has introduced corrosive capital in Panama is Landbridge Group. This company, together with CCCC, was awarded the Panama Colón Container Port (PCCP) project on Margarita Island in the Panamanian Caribbean (AMP, 2017). After Landbridge Group was acquired by Shanghai Gorgeous Investment, Inc. (Morgan & Morgan, 2017) and subsequent scandals, the Panama Maritime Authority (AMP) decided in 2021 to initiate a process to cancel the concession due to non-compliance with its contractual obligations (AMP, 2021).

The year 2020 marked the beginning of setbacks for Shanghai Gorgeous Investments, when its then-president Gao Tianguo, who also controlled the company's main shareholder—Anxin Trust Co. Ltd—was arrested by Chinese authorities for alleged irresponsible lending practices (La Prensa, 2020). The fact that Chinese authorities arrested Gao exemplifies the levels of control the PRC and CCP can exercise over a “private” company at any given time. In Panama, Shanghai Gorgeous representatives attempted to ease tensions in the information space through public statements (La Prensa, 2020).

Before its cancellation, the project was 40% complete (PortStrategy, 2024). Currently, the status of the PCCP project and Landbridge Group's control over it is uncertain, as it is the subject of an international

¹¹ The Panamanian media consulted tend to refer to this company as China Landbridge Group.

arbitration case between Nortarc Port Investment—the company that replaced Landbridge after the cancellation of the concession—and Landbridge. The Chinese company accuses Nortarc and Panama of fraudulent attempts to expropriate its investments in the port terminal (PortStrategy, 2024).

Landbridge's track record in other jurisdictions is also a source of concern. The case of the Darwin port in Australia is the most emblematic, involving a 99-year lease of one of the most important maritime and strategic assets in northern Australia, raising security concerns about critical infrastructure (Massola and Clun, 2023)..

4.5. Sinolam Smarter Energy

In 2018, another subsidiary of Shanghai Gorgeous Investment, Inc. entered the Panamanian market: Sinolam Smarter Energy, previously known as Martano Inc. In February of that year, Sinolam received a definitive license to build and operate a gas-fired thermal power plant—Gas to Power Panama—in Puerto Pílon, Colón, which was supposed to begin operations in 2022 (Jordán, 2022). The estimated investment was \$900 million; however, the project faced several delays in construction, including those caused by the COVID-19 pandemic, resulting in multiple deadline extensions for project execution (Jordán, 2022).

It is also reported that, due to Chinese authorities' intervention in Anxin Trust, Shanghai Gorgeous halted its investment activities in Panama, including the gas-fired thermal power plant in Puerto Pílon (Panamá América, 2024). This freezing of Sinolam's activities coincided with growing concerns in the United States about China's control over the Puerto Pílon project (Runde, 2020).

In 2022, Sinolam transferred part of its license to Enel Fortuna, retaining another part through an extension of the license term until March 2024,

with the intention of selling it to a third party (Panamá América, 2024). In February 2024, Altenergy acquired the remaining portion of the license through a license contract assignment (Sandoval, 2024). However, this situation has significantly increased electricity costs in Panama, to the point where a lawsuit to annul the assignment is being considered (Sandoval, 2024). The initial incursion of Chinese capital into Panama's energy sector and the considerable increase in electricity costs highlight potential risks to Panama's political and social stability. These risks were evident during the June 2022 protests, triggered by inflation and rising living costs due to fuel price hikes stemming from Russia's aggression in Ukraine, poor public fund management, and multiple corruption allegations.

4.6. China Communications Construction Company Ltd

One of the most notorious cases of Chinese corrosive capital in Panama is the project to build a fourth bridge over the Panama Canal. After several delays in the project's bidding process dating back to 2016, it was finally carried out in 2018 and awarded to the Chinese consortium Panama Cuarto Puente Consortium (CPCP), made up of China Communications Construction Company (CCCC) and its subsidiary, CHEC (Rodríguez, 2018).

Interestingly, CPCP won the bid despite receiving the lowest technical evaluation score and offering \$1.42 billion—\$187 million below the reference price of \$1.607 billion (Rodríguez, 2018). This occurred after the Spanish company Dragados, S.A., which had received a favorable technical score and submitted a \$1.812 billion bid (above the reference price), withdrew from the bidding process (La Prensa, 2018). Two other companies, a Chinese consortium and an Italian-Korean consortium, were disqualified for failing to meet technical requirements and for bidding below the reference price, respectively (La Prensa, 2018). It is

noteworthy that CPCP won the bid despite presenting both technical and economic shortcomings.

It is important to note that one of the companies in CPCP, CCCC, had built a 36-kilometer bridge in Zhejiang, China, for the same cost of \$1.42 billion. However, the Hangzhou Bay Sea-Spanning Bridge, described by CCCC as “the world’s longest sea bridge,” is almost 35 kilometers longer than the fourth bridge over the Panama Canal would be (Rodríguez, 2018)¹². Additionally, it should be noted that CCCC is sanctioned by the United States for its role in constructing artificial islands and military facilities in the South China Sea (Watkins, 2020).

In 2019, with Laurentino Cortizo assuming the presidency of Panama (2019-2024), the national government decided to suspend the project, despite the previous administration (Varela) having already disbursed \$67 million to start construction (Forbes Centroamérica, 2019). The impasse continued until early 2023, when an addendum to the original contract was signed, separating some original project components, such as the third line of the Panama Metro, the lookout, and the restaurant. This resulted in an artificial price reduction to \$1.3721 billion (MOP Panamá, 2023).

We refer to this as an artificial reduction because it is estimated that the tunnel for the third metro line, originally part of the fourth bridge project, will cost more than \$350 million (Mojica, 2024). For this separate project, the Korean consortium HPH Joint Venture, composed of Hyundai and Posco E&C, hired China Railway Tunnel Group to excavate the tunnel that will cross the canal (Mojica, 2024). Regarding this latter company, which has spearheaded Chinese interests in the Democratic Republic

¹² The fourth bridge over the Panama Canal will measure 965 meters (<http://www.mop.gob.pa/index.php/prensa/sala-de-prensa-2/item/3247-inicio-de-obras-en-el-proyecto-del-cuatro-puente-sobre-el-canal-de-panama>; <https://www.laestrella.com.pa/panama/nacional/mulino-acaben-el-cuarto-puente-lo-antes-que-puedan-EY8364644>).

of Congo, there are various reports of top executives involved in bribery cases (The Straits Times, 2023).

In 2024, just hours after the arrival of China's new ambassador to Panama, Xu Xueyuan, President Cortizo inaugurated construction work on the fourth bridge over the Canal, reactivating the project (Illueca, 2024). To this day, the official reasons for the project's suspension remain unknown, as does whether these reasons were effectively addressed for the project to resume. Construction is expected to be completed by 2028¹³.

¹³ It is worth noting that CCCC's history is marked by corrupt practices, including the notorious \$19 million bribe in 2009 to Equatorial Guinea's Vice President Teodorín Obiang (<https://www.bloomberg.com/news/features/2018-09-19/a-chinese-company-reshaping-the-world-leaves-a-troubled-trail>); its inclusion in the World Bank's debarment list in 2011 for corrupt practices in the Philippines (<https://www.worldbank.org/en/news/press-release/2011/07/29/world-bank-applies-2009-debarment-to-china-communications-construction-company-limited-for-fraud-in-philippines-roads-project>); and the 2022 conviction for money laundering in Kuwait of Malaysian businessmen funneling funds from Hong Kong for a railway project in Malaysia (<https://www.sarawakreport.org/2023/04/how-najib-framed-1mdb-cover-up-plan-at-the-highest-levels-in-china/>). The list is neither exhaustive nor does it include cases related to its subsidiaries.

5.THE OBJECTIVE: SUPPLY AND VALUE CHAINS

The Panama Canal is one of the most important maritime chokepoints in the world. Panama, therefore, is a key geostrategic location whose stability is crucial for international maritime trade and the resilience of the global supply chain. It is estimated that 5% of global maritime trade passes through the Panama Canal. Additionally, the country has one of the largest ship registries in the world.

While the Canal remains the cornerstone of Panama's supply chain and trade strategy and contributes to attracting foreign direct investment, its international services platform and ship registry also play a role in Panama's interest in safeguarding the free flow of goods, services, and capital globally. Unlike the Panama Canal—a stable route less prone to conflict—the two main trade routes over which China projects its influence, the Strait of Malacca and the South China Sea, face challenges from China's ambitions of control rooted in a clearly expansionist agenda. In this sense, the Panama Canal's competitive advantage compared to other maritime routes—its stability—requires cautious efforts to preserve the waterway's neutrality. Moreover, Panama's interest in its ship registry and international services platform, which contribute to the free flow of goods, services, and capital, reinforces its commitment to global freedom of navigation and a rules-based trade order. This is particularly relevant in the Strait of Malacca and the South China Sea, where a significant number of Panamanian-registered vessels and corporate structures are used to facilitate international maritime trade. This reality was identified by Panama in its White Paper “A Foreign Policy for Panama 3.0,” emphasizing the security of global supply chains and reflecting on the interconnectedness and interdependence of Panama's geostrategic position (MIRE Panamá, 2024).

It is evident that China has growing economic interests and a greater level of influence in Panama, which are also used to expand its presence in Latin America. Trade, foreign direct investment, and supply chain control are some of the tools through which the PRC exerts such influence in the country.

In Panama, there is an idyllic narrative promoted by political and economic elites that portrays economic and trade relations with the PRC as a source of unlimited wealth and prosperity. In practice, however, the benefits of these relations have been limited to a small group of Panamanian companies, while there is a general trade imbalance and a poor performance record by Chinese companies in large infrastructure projects. Although Panama and China have not signed a free trade agreement, Panama was the first Latin American country to join China's Belt and Road Initiative. Therefore, while Panama bets on the stability of global supply and value chains, China is often perceived as a disruptive power whose ultimate goal is to exert control over these chains, sometimes even weaponizing them as tools of pressure. Simultaneously, China accuses the United States of employing similar strategies (Swanson, 2025).

The aforementioned examples of Chinese investments in Panama indicate that one of the main areas of corrosive capital incursion has been supply and value chains. Participation in large infrastructure and mega projects such as ports, power plants, bridges, and convention centers, as mentioned above, supports this assertion. The supply and value chains linked to the Panama Canal conglomerate have been an easy target for Chinese corrosive capital, largely due to stagnation in the fight against corruption, the clear service-oriented nature of Panama's economy, and the lack of diversification in supply and value chains with respect to external actors involved.

The control of the ports of Balboa and Cristóbal by Hutchison Ports, the cruise port by China Harbour, and the Margarita Island project by Landbridge demonstrate a marked interest in port infrastructure. If this is considered alongside participation in projects such as the fourth bridge over the Panama Canal and the fact that the PRC is the second-largest user of the Panama Canal, it can be concluded that China's corrosive capital in Panama aims, among other objectives, to exercise control over supply and value chains.

Since the establishment of diplomatic relations, one of China's main objectives has been Panama's supply and value chains. Among the agreements signed by the Varela administration (2014-2019) with the PRC were those related to Panama's incorporation into the economic belt of the Silk Road and the 21st Century Maritime Silk Road, as well as agreements for feasibility studies of railway projects (MIRE Panamá, 2017a).

China's strategy toward Panama, linked to the "Silk Road" or "Belt and Road" initiative, involves the use of corrosive capital to exert control and/or ownership over the country's ports and critical infrastructure, threatening the resilience of supply and value chains that could shift from serving global trade to serving PRC interests. In this sense, the PRC and CCP's interest in acquiring the trans-isthmus railway connecting the ports of Balboa and Cristóbal, both controlled by Hutchison Ports PPC, illustrates Panama's vulnerabilities to the flow of corrosive capital into its non-diversified supply and value chains. The railway was owned by Kansas City Southern Railroad, and after reports of China's interest in purchasing the operation, the company as a whole—not just the railway—was acquired by the Canadian company Canadian Pacific, which has several railway operations in the region, making it very unlikely that China will exert any control or influence over this railway in the near future (Evan Ellis, 2024). This purchase contributed to the

resilience of both regional and global supply and value chains, while diversifying the Panamanian market and promoting access for other private actors.

Similarly, China's expressed interest in participating in the construction of a railway connecting Panama City to Chiriquí Province –also known as the Panama–David railway– as indicated by Chinese Ambassador to Panama Xu Xueyuan, exemplifies China's strategy of using corrosive capital to leave its mark on Panama's supply and value chains (Yanguéz, 2024). It is important to note that the feasibility study for this project was conducted through a non-reimbursable economic cooperation agreement. In this context, the assertion that China had invested “a great deal of money” in the feasibility study conducted by the state-owned China Railway Design Corporation can be read as assertive, bordering on coercive (Crítica, 2024). Additionally, according to Ambassador Xu, “When the bidding process opens, companies like China Construction Company Corporation and others that are qualified to participate will come” (Yanguéz, 2024). Given Panama's experience with the bidding for the fourth bridge over the Panama Canal, this situation deserves the utmost attention from the state. It is important to note that, in late 2024, the Panamanian government announced the hiring of the U.S. company AECOM USA to update the master plan for the railway project (Swissinfo, 2024).

Another interesting case is the recent interest expressed by the Chinese state conglomerate China Energy International Group in investing and participating in renewable energy projects in Panama, including “offshore wind energy and projects related to water treatment, energy supply for data centers, and transmission and transformation projects” (Agencia EFE, 2024a).

Paradoxically, the entry of Chinese corrosive capital has been relatively smooth, without significant setbacks. This has occurred despite

Panama and China not having a free trade agreement. Nevertheless, China has expressed its intention to resume negotiations with the new administration of President José Raúl Mulino, after negotiations stalled during the Cortizo administration (2019-2024) (Cigarruista, 2024a). Meanwhile, President Mulino is evaluating the possibility of resuming treaty negotiations and improving trade relations with China, including in the agricultural sector and the establishment of special economic zones (Cigarruista, 2024b). In this regard, it is necessary to assess the extent to which a free trade agreement would contribute to increasing the flow of Chinese corrosive capital into Panama.

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President Mulino is currently considering resuming treaty negotiations and improving trade relations with China, including in the agricultural sector and through the establishment of special economic zones.



EXPEDIENTE
ABIERTO

6. THE RESULT: POLITICAL AND SOCIAL CRISIS

6.1 Political and social crisis

Between October 20 and December 2, 2023, Panama faced the most significant social and political crisis in its history since the restoration of its young democracy in 1989. The trigger for this crisis was the approval by the National Assembly of Panama, at the proposal of the Laurentino Cortizo government, of a new mining concession¹⁴ for the Canadian company First Quantum Minerals and its Panamanian subsidiary, Minera Panamá. Just hours after the contract was approved, massive nationwide protests erupted due to the expedited manner in which the concession was approved and the manifestly harmful conditions to national interests.

Among the grievances of mobilized citizens were serious threats to national sovereignty through the new concession. Such claims were well-founded, as Article 290 of Panama's Constitution prohibits foreign governments from acquiring control over any part of national territory. Similarly, the Mineral Resources Code stipulates that neither governments nor foreign states, nor any official or semi-official foreign entities, nor legal entities in which any foreign government or state has direct or indirect participation, may obtain mining concessions directly or through intermediaries.

Although First Quantum Minerals is a private company registered in Canada, according to an analytical document prepared by the

¹⁴ We refer to a new concession because, in 2017, the Supreme Court of Justice had declared the original concession granted in 1997 unconstitutional. Due to administrative delays and appeals, reconsiderations, and clarifications filed against the ruling, it was not published until 2021. Between the 2017 ruling and the approval of the contract law granting a new concession, Minera Panamá had been operating without a legal basis and in defiance of a ruling by Panama's Supreme Court of Justice.

Panamanian government for its negotiations with First Quantum, dated July 2022, the PRC, through the company Jiangxi Copper (19.9%) and Pangea Investments (19.9%), controls 39.8% of the share capital (Noriega, 2022). To avoid regulatory issues in Canada, the PRC divided its acquisitions between a Chinese state-owned company, Jiangxi, and an Australian company, Pangea. In addition to Chinese interests, the same document reports that Singapore and South Korea hold 15% and 10% stakes, respectively (Noriega, 2022).

The issue of shareholder control deeply affected the negotiation process, leading one of the government's main negotiators to resign. This was Dr. Marcel Salamín-Cárdenas, former Deputy Minister of Foreign Affairs, who warned upon resigning that "China is unconstitutionally the owner of 39.98% of Petaquilla through Pangea Investment and PIM Cupric Holdings Ltd., both 100% state-owned companies" (Salamín-Cárdenas, 2022). Other sources confirmed to *Diálogo Américas* that the largest shareholder in First Quantum Minerals is China, through the state-owned company Jiangxi Copper Co. Ltd., with 19.5% of the shares (Nicholls, 2024).

The opposition to the new concession was multisectoral, including civil society groups, opinion leaders, students, teachers, workers, and environmental groups. The country was paralyzed for one month, one week, and six days, until the Supreme Court of Justice declared the contract and the new concession granted to Minera Panamá unconstitutional (CSJ Panamá, 2023). While Chinese capital's participation in First Quantum was not the primary driver behind the protests or the subject of analysis by the Supreme Court, Panama's Attorney General Rigoberto González Montenegro argued before the court that the contract granting the new concession violated the Panamanian Constitution and the Mineral Resources Code by involving a foreign government through the state-owned Jiangxi Copper company (González Montenegro, 2023).



Following the Supreme Court's decision, Jiangxi Copper has continued close cooperation with First Quantum, even discussing the possibility of gaining influence in First Quantum's board decisions (Luk and Rajagopal, 2024). This materialized with the appointment of Hanjun Xia of Jiangxi Copper to First Quantum's board of directors (Vega Loo, 2024). Since November 2023, Jiangxi Copper has reportedly invested \$745 million in First Quantum through debt securities, capital contributions, and a copper prepayment agreement (Luk and Rajagopal, 2024). When combined with the volatile relationship between the two companies, including 2019 speculation about a possible hostile takeover of First Quantum by Jiangxi Copper (Luk and Rajagopal, 2024), concerns about corrosive Chinese capital's presence in First Quantum grow.

due to purely geostrategic factors, combined with the energy transition process and competition in the global semiconductor supply chain. China is currently the leading player in the copper industry, with the world's largest copper refineries. Additionally, before operations were halted due to the Supreme Court's ruling, 60% of the copper extracted from the Panamanian mine was destined for China for refining (La Prensa, 2019b). In this sense, copper mining, alongside the energy transition process and the semiconductor industry's supply chain, requires Panama to develop a strategy for the energy transition process. This strategy could include cooperation with actors such as Canada for sustainable copper exploitation, Japan to diversify and balance the amount of copper refined in China, and the U.S., South Korea, and Taiwan for the semiconductor industry and supply chain.

It is worth noting that the PRC's shareholding in First Quantum and, consequently, in Minera Panamá through Jiangxi Copper qualifies as corrosive capital in the form of portfolio investments. The same applies to Pangea Investment and PIM Cupric. This case is paradoxical as it demonstrates the potential effects corrosive capital can have on the political and social stability of a young democracy like Panama.

6.2 U.S. Interventionism

Since Donald Trump's victory in the U.S. presidential elections, his promise to "take back" the Panama Canal has been a constant refrain. In fact, Panama was the country most frequently mentioned in his inaugural address (U.S. Department of State, 2025), and has received unprecedented priority in U.S. foreign policy—this included the first official trip abroad by Secretary of State Marco Rubio (La Estrella de Panamá, 2025). To justify this objective, President Trump claims that China allegedly controls the Panama Canal.

As documented in this report, the influence of Chinese corrosive capital in Panama is limited to the supply chain. The Panama Canal itself has not been penetrated by corrosive Chinese capital. Prior to Trump's return to the White House, cooperation between Panama and the United States had focused on containing and repelling the potential effects of Chinese corrosive capital in Panama. These efforts had been fairly successful, including the management of the Amador convention center by a U.S. company, Panamanian control over the nearby cruise port, and Panama's decision to cancel the Panama Colón Container Port project—an action that indirectly led to the sale of the power plant in the port of Pílon. Taken together with the fact that a Chinese company did not acquire the trans-isthmian railway and that a U.S. company was hired to update the feasibility study for the Panama–David railway—originally designed by China—this suggests an effective management of the risks posed by corrosive Chinese capital.

However, the Trump administration represents a paradigm shift in how such situations are approached. As reflected in the BlackRock–CK Hutchison Holdings transaction, the goal of displacing China and expelling its corrosive capital from Panama appears to be a means to an end: President Trump's aspiration to “take back” the Panama Canal. Today, the presence of Chinese corrosive capital in Panama seems to be used by the United States to justify interventionist and even expansionist aims. Far from invalidating the findings of this study, the instrumentalization of Chinese corrosive capital for such purposes highlights the risks it poses to the target state—Panama in this case—making it a victim of geopolitical coercion not only by the state from which the capital originates—China—but also by third-party states—the United States. Moreover, the Trump administration's coercive strategy may prove counterproductive, potentially increasing China's influence in Panama by disregarding previous joint efforts and lacking a comprehensive approach to the spheres of influence where Chinese presence is to be countered (Illueca, 2025).

CONCLUSIONS

7. CONCLUSIONS

As demonstrated, Chinese corrosive capital has penetrated the Panamanian system through various modalities, including foreign direct investment, investment through public procurement, commercial loans, development assistance, and portfolio investments.

Foreign direct investment and investments made through public procurement have been the preferred vehicles for the flow of such capital, as evidenced by the cases of Hutchison Ports PPC, China State Construction Engineering, China Harbour Engineering Company, Landbridge Group, Sinolam Smarter Energy, and China Communications Construction Company Ltd. These companies share some common characteristics, such as opaque and corrupt practices, bribery schemes, cost overruns in infrastructure projects, participation in international investment arbitration processes, and impacts on the sovereignty of third states.

Another modality of corrosive capital, commercial loans, has not been uncommon. Currently, there are relevant legal mechanisms for such purposes, including memoranda of understanding on strategic cooperation between Panama's Electric Transmission Company (ETESA) and the Bank of China, as well as between the National Bank of Panama and the Bank of China, both of which serve as good examples (MIRE Panamá, 2017a). Furthermore, in various framework agreements, such as the one signed between Panama's Ministry of Economy and Finance and the PRC's National Development and Reform Commission to promote production capacity and investment cooperation, financial institutions from both countries are "encouraged" to provide financing services (MIRE Panamá, 2017a). This also extends to the memorandum of understanding between Panama and the PRC on cooperation within

the economic belt of the Silk Road and the 21st Century Maritime Silk Road, particularly in the section related to the circulation of funds (MIRE Panamá, 2017a).

However, given the opacity surrounding commercial loans and financing provided by the PRC, there is little information regarding the use of these credit schemes in Panama. There is also insufficient data to confirm whether these schemes have been used to secure Chinese companies' participation in the projects they finance or to impose payment conditions so severe that they force the transfer of the project in favor of Chinese companies.

China's development assistance in Panama has materialized through non-reimbursable economic cooperation, which has been plagued by the same opacity and lack of transparency that initially affected the more than 47 agreements signed between Panama and the PRC. This modality of "cooperation" has also been linked to allegations of a \$142 million bribe allegedly received by Panama's highest dignitary in exchange for establishing diplomatic relations with Beijing and severing ties with Taipei. Because non-reimbursable cooperation is under the control of the Vice Ministry of Multilateral Affairs and Cooperation, there is little information about the amounts provided and their uses, potentially allowing this type of corrosive capital to undermine Panamanian institutions.

Portfolio investments have been another mechanism used by Chinese corrosive capital in Panama. Through the state-owned company Jiangxi Copper, the PRC and the CCP made a portfolio investment in shares of First Quantum Minerals, a Canadian company whose subsidiary, Cobre Panamá, operates a copper mining concession in the country. The concession contracts have twice been declared unconstitutional by the Supreme Court of Justice. Following the political and social crisis of October, November, and December 2023, there have been reports of

Jiangxi Copper's interest in gaining greater influence in First Quantum through debt securities, capital contributions, and a copper prepayment agreement (Luk and Rajagopal, 2024).

In summary, the flow of Chinese corrosive capital into Panama increased significantly following the establishment of diplomatic relations in 2017. Various mechanisms have been used for this purpose, characterized by a lack of transparency and accountability, converging with practices contrary to the market orientation that ostensibly distinguishes the Panamanian economy. This has, in turn, generated acts of corruption and, as demonstrated by the events of late 2023, governance problems.

Given this reality, the possible resumption of negotiations for a free trade agreement (FTA) between Panama and the PRC presents a strategically unfavorable scenario for Panama. An FTA would represent an unprecedented opening for the flow of corrosive capital into the country. Fortunately, there are constitutional and legal provisions that could enable the Panamanian state to counteract corrosive capital and rid itself of its influence. However, the lack of political will to pursue this objective, combined with the interest in increasing Chinese investments in Panama—even among actors who nominally identify with democracy and transparency—presents a paradox that, in the long term, could compromise the country's democratic governance.

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Panama represents an interesting case study, as the flow of corrosive capital can be delimited in a specific timeframe, from the establishment of diplomatic relations between China and Panama in 2017 to the year 2024, with China expressing interest in participating in the railway project that would connect the entire country, from Panama City to the city of David, and with the potential to eventually extend to all of Central America. During this period of more than seven years, Chinese corrosive capital has manifested through foreign direct investment, investments via public procurement, commercial loans, development assistance, and portfolio investments. A retrospective analysis of these investments also makes it possible to assess, from a strategic and informed perspective, the demands of the United States amid the current bilateral crisis with Panama regarding the alleged Chinese control over the Panama Canal.