

# Panama: Supreme Court ruling against Hong Kong-based firm illustrates vulnerabilities in new geopolitical era and raises expropriation risk | **Credendo**

## Event

In late February, Panama's government took possession of the port assets previously operated by Panama Ports Company (PPC), a subsidiary of Hong Kong-based CK Hutchison. This followed a Supreme Court ruling that found the 25-year port-operation concession for the terminals at both entrances of the Panama Canal to be unconstitutional. The court annulled the contract, thereby ending PPC's right to operate the ports – a role it had held since the 1990s. From the end of February, APM Terminals (A.P. Moller - Maersk) assumed temporary operational control under an interim arrangement, pending the award of new concessions.

## Impact

The decision of Panama's Supreme Court should be seen through a geopolitical lens. The ruling fits into a broader set of actions by Panama to decouple from China, as the Latin American country has come under huge US pressure in the past year. Ever since Trump returned to the White House, he claimed China was operating the Panama Canal – a strategically and logistically important waterway. As Trump pursues [US dominance in the western hemisphere](#), he has built huge pressure on Panama, including military threats. Given the US's success in this case, this episode risks becoming a blueprint for putting the “Donroe doctrine” into practice, especially for states with strong trade and security ties with the US. Looking forward, US coercion will likely continue targeting structurally dependent states instead of the great-power rivals it has long viewed as adversaries.

Following the ruling, China has struck back. Although the Supreme Court ruling is final, CK Hutchison took the dispute to international arbitration. Besides the arbitration, China is reducing financing and investment in the Central American country, a turnaround from 2017 when China invested heavily after Panama severed its ties with Taiwan. For Panama, this comes at a bad timing, amongst other things given its large planned infrastructure projects to make the [Panama Canal more resilient](#) against regular droughts induced by climate change. On top of this, reports have surfaced that China has ramped up inspections of Panamanian imports and encouraged shippers to use alternative routes to avoid Panamanian ports. China also has the means to assist in developing alternative, competitive trans-oceanic trade routes bypassing this cargo bottleneck, for example in Nicaragua, a country with which it still has close ties.

This ruling could affect investor confidence in Panama, generating doubts around the legal protections provided by contract law, and raising questions about the possibility of long-standing concessions becoming subject to political reinterpretation. Moreover, though reducing Chinese strategic influence in Latin America is currently among the US's key priorities, more scrutiny around strategic influence from other countries and regions, such as the EU, Russia or Japan, cannot be excluded in the future. In this context, the expropriation risk (3/7) has a negative outlook, especially as a similar ruling from the Supreme Court led to the [closure of a Canadian-owned copper mine in 2023](#) after major domestic unrest. The MLT political risk outlook (4/7)

remains negative due to the country's deteriorating external debt solvency ratios. As an oil importer, Panama also stands to suffer from [higher world oil prices](#) as a consequence of the war in the Middle East, depending on how long the conflict there lasts though a potential rise in transport through the Panama Canal could cushion the blow.

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