

## Welcome to This Week's Asia on the Horizon

As we step further into 2025, the Indo-Pacific region continues to command global attention, with developments that reflect both its dynamism and the challenges it faces. This week's Asia on the Horizon dives into pivotal stories that shape the region's future, offering a comprehensive lens on how geopolitics, economics, and humanitarian efforts intersect in this strategic part of the world.

In this issue, we analyze Indonesia's formal induction into BRICS, a move that signifies a shift in global governance and highlights the growing influence of emerging economies in the Global South. Trump's recent remarks about Greenland and the Panama Canal are explored in the context of U.S.-China competition, with Panama emerging as a critical geopolitical flashpoint. Meanwhile, the devastating earthquake in Tibet reminds us of the human cost of natural disasters, sparking questions about transparency and disaster response in sensitive regions. On the economic front, we highlight Asia's structural transformation, where the pivot to modern services offers both challenges and opportunities for sustaining growth and productivity.

Additionally, this week's visuals bring these narratives to life. The Map of the Week underscores the strategic importance of the Panama Canal in global trade, while the Photo of the Week captures the ongoing relief efforts in Tibet, a poignant reminder of the region's resilience in the face of tragedy. Through these stories and visuals, Asia on the Horizon continues to serve as your trusted source for understanding the complexities and opportunities of this vital region. Thank you for joining us as we delve into the heart of the Indo-Pacific's most pressing issues.



## 1. KEY DEVELOPMENTS

### U.S.-ROK Alliance Endures Amid South Korea's Political Crisis

In a crucial demonstration of support during South Korea's political turbulence, Secretary of State Antony J. Blinken met with Acting President Choi Sang-mok in Seoul. The Secretary expressed condolences for the tragic loss of life in the Jeju Airlines incident and reaffirmed the United States' ironclad commitment to the defense of South Korea. Discussions underscored the enduring strength of the U.S.-ROK alliance as a linchpin of peace and prosperity in the Indo-Pacific. Despite the domestic challenges posed by dual impeachments, Acting President Choi assured Secretary Blinken of South Korea's commitment to advancing bilateral cooperation and strengthening trilateral ties with Japan on pressing regional and global issues, including during the ROK's 2025 APEC host year.

Further emphasizing the importance of stability and resilience, Secretary Blinken joined Foreign Minister Cho Tae-yul in a joint press availability, addressing North Korea's ongoing provocations and its deepening ties with Russia. The leaders reiterated their shared goal of upholding a free and open Indo-Pacific, bolstering deterrence measures, and advancing key economic and technological collaborations. The diplomatic engagements highlighted both nations' resolve to navigate a challenging period while maintaining the strategic partnership that has underpinned regional security and economic growth for decades.

### Strengthening the U.S.-Japan Alliance Amid Regional Challenges

Secretary of State Antony J. Blinken's recent visit to Tokyo underscored the enduring strength and expanding scope of the U.S.-Japan alliance as a cornerstone of peace and prosperity in the Indo-Pacific. During his meeting with Japanese Foreign Minister Iwaya Takeshi, Secretary Blinken reflected on the transformative achievements in the bilateral relationship over the past four years, highlighting the alliance's evolution into a truly global partnership. Both leaders emphasized the critical importance of U.S.-Japan-ROK trilateral cooperation, particularly in addressing regional security challenges. They condemned the PRC's destabilizing actions in the South China Sea and reaffirmed their unwavering support for maintaining peace across the Taiwan Strait. Additionally, they underscored the importance of countering DPRK's growing military collaboration with Russia and expressed robust support for Ukraine amid Russia's aggression.

Further solidifying this partnership, Secretary Blinken met with Prime Minister Ishiba Shigeru and Chief Cabinet Secretary Hayashi Yoshimasa to discuss Japan's global leadership and ongoing efforts to strengthen ties with the Republic of Korea. These engagements reaffirmed the U.S.'s ironclad commitment to Japan's defense and mutual efforts to promote stability and economic resilience in the region. The discussions also touched on enhancing cooperation in trade and technology while addressing shared concerns about the PRC's support for Russia's defense industry. As

Secretary Blinken concluded his visit, the meetings collectively highlighted the alliance's pivotal role in navigating a rapidly changing Indo-Pacific and its contribution to upholding international rules and norms.

## **Indonesia Joins BRICS, Strengthening Global South Cooperation**

Indonesia has officially joined the BRICS bloc as a full member, marking a significant expansion of the geopolitical alliance. The announcement was made by Brazil, which assumed the rotating presidency of BRICS on January 1, 2025. Indonesia's membership was approved during the Johannesburg Summit in August 2023 but was formalized only after the nation's presidential elections in October 2024. As the largest economy and most populous nation in Southeast Asia, Indonesia's inclusion underscores the bloc's focus on fostering collaboration among emerging economies and reforming global governance institutions. The move highlights Indonesia's strategic intent to align more closely with developing nations and bolster its role in advancing the interests of the Global South.

With Indonesia's entry, BRICS now accounts for 40% of the global population and 35% of the world's GDP, enhancing its geopolitical significance. Brazil emphasized Indonesia's positive contributions to the bloc's agenda, which includes deepening cooperation in the Global South and advocating for institutional reforms. Indonesia joins other recent additions such as Egypt, Ethiopia, Iran, and the UAE, as well as fellow Southeast Asian nations Malaysia, Vietnam, and Thailand, marking an era of unprecedented expansion for the group. This development reinforces BRICS' growing influence in shaping the global economic and political order.

## **Devastating Earthquake Strikes Tibet, Claims Over 120 Lives**

A powerful magnitude 7.1 earthquake struck the remote Dingri County in western Tibet on January 6, 2025, leaving a trail of devastation and tragedy in its wake. The quake, centered near the Himalayan border with Nepal, occurred shortly after 9 a.m. at a depth of 6.2 miles. Chinese state media reported at least 126 fatalities, 188 injuries, and extensive damage to over 1,000 homes in the affected region. Dingri County, situated at an average elevation of 15,000 feet, posed significant logistical challenges to rescue operations. The high-altitude location and freezing temperatures, which plummeted to as low as minus 15 degrees Celsius, further complicated efforts to locate and save survivors.

Frantic rescue missions were underway, with workers digging through rubble using their hands and shovels due to the inaccessibility of heavy equipment in the mountainous terrain. Several aftershocks, felt as far as Nepal, heightened fears and disrupted relief efforts. The quake is the deadliest in China since the 2023 Gansu-Qinghai earthquake, which claimed 151 lives. As authorities race against time to provide aid and shelter to the displaced, the disaster underscores the vulnerabilities of isolated, high-altitude communities to seismic events. The region's historic and cultural significance adds a somber dimension to the ongoing humanitarian crisis.

## 28th U.S.-Vietnam Human Rights Dialogue Concludes in Hanoi

The 28th U.S.-Vietnam Human Rights Dialogue, held on January 6-7, 2025, in Hanoi, underscored the ongoing commitment of both nations to addressing human rights issues as part of their Comprehensive Strategic Partnership. Assistant Secretary for Democracy, Human Rights, and Labor Dafna Rand led the U.S. delegation, joined by Ambassador-at-Large for International Religious Freedom Rashad Hussain and congressional staff, signaling bipartisan support for human rights advocacy. The Vietnamese delegation, led by Pham Hai Anh, Director General for the International Organizations Department at the Ministry of Foreign Affairs, engaged in wide-ranging discussions on implementing recommendations from Vietnam's UN Universal Periodic Review.

During the dialogue, the U.S. emphasized the need to safeguard freedoms of expression, association, and religion while advancing rule of law and legal reforms. Advocacy for the release of unjustly detained individuals and fostering a conducive environment for non-governmental organizations were central themes, aligning with Vietnam's development aspirations. Both nations reaffirmed their dedication to maintaining frank and constructive discussions to further human rights progress, marking a critical step in their deepening partnership and shared commitment to development and governance priorities.

## Supreme Court Reviews TikTok Ban Amid Security and Free Speech Concerns

The U.S. Supreme Court deliberated on a contentious law on January 10, 2025, that could lead to a nationwide ban of the popular social media platform TikTok. The legislation, enacted by Congress, mandates the platform's Chinese owner, ByteDance, to divest its U.S. operations by January 19 or face an outright ban. Lawmakers argue that TikTok's Chinese ownership poses a significant national security threat, citing concerns over potential influence and data access by the Chinese government. However, TikTok and its creators claim the measure infringes on free speech rights, sparking a high-profile legal battle with broad implications for technology, national security, and civil liberties.

During Friday's proceedings, the justices posed questions suggesting a potential inclination to uphold the law, reflecting the weight of national security concerns. The case underscores the tension between safeguarding democratic institutions and protecting individual rights in an era of globalized technology. With TikTok boasting 170 million U.S. users, the decision carries significant ramifications for digital governance, economic ties with China, and the balance of power between national security and constitutional freedoms.

## **U.S.-Taiwan Collaboration on International Representation**

On January 8, 2025, representatives from the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office (TECRO) convened with officials from the U.S. Department of State and Taiwan's Ministry of Foreign Affairs in Washington to discuss strategies for enhancing Taiwan's participation in international organizations. The meeting emphasized Taiwan's inclusion in the United Nations system and other global forums, focusing on pressing issues like global public health, aviation safety, and transnational crime. The discussions highlighted Taiwan's expertise in areas such as health, aviation safety, and environmental protection, reaffirming the U.S. commitment to advocating for Taiwan's presence at key organizations like the World Health Assembly (WHA) and the International Civil Aviation Organization (ICAO).

Participants also stressed the importance of collaboration with international partners to counter attempts to marginalize Taiwan on the global stage. U.S. officials reiterated that supporting Taiwan's meaningful participation aligns with the United States' one-China policy, as guided by the Taiwan Relations Act, the three Joint Communiques, and the Six Assurances. This meeting underscores Taiwan's pivotal role in addressing global challenges and reinforces its value as a critical partner in advancing international stability, safety, and health initiatives.

## **U.S.-ROK Nuclear Consultative Group Enhances Extended Deterrence**

The United States and the Republic of Korea (ROK) convened the latest session of the Nuclear Consultative Group (NCG) in Washington this month, reaffirming their commitment to extended deterrence and strategic cooperation in the face of persistent nuclear threats from the Democratic People's Republic of Korea (DPRK). Established through the landmark U.S.-ROK Washington Declaration of April 2023, the NCG is a bilateral body that facilitates senior-level discussions on nuclear and strategic planning, risk reduction, and crisis communication. By enabling deeper decision-making on nuclear deterrence, the NCG underscores the ironclad U.S. commitment to the defense of the ROK and the stability of the Indo-Pacific region.

Since its inception, the NCG has advanced U.S.-ROK collaboration through regular principal-level meetings, joint military exercises, and enhanced communication protocols. Key accomplishments include the integration of conventional and nuclear planning, improved intelligence sharing, and visible demonstrations of U.S. strategic assets, such as port calls by nuclear-powered submarines. The group's efforts have solidified the alliance's preparedness to address DPRK nuclear threats while fostering resilience through dedicated training programs and secure communication systems. As an enduring symbol of U.S.-ROK partnership, the NCG remains pivotal to ensuring regional security and the safety of the Korean Peninsula.

## Trump's Remarks on Panama and Greenland Highlight U.S. Stance Against Growing Chinese Influence

Italian Prime Minister Giorgia Meloni described U.S. President-elect Donald Trump's recent remarks about the Panama Canal and Greenland as strategic warnings to major global powers, particularly China, rather than signals of territorial aggression. Speaking at a press conference in Rome, Meloni noted that Trump's comments, including his criticism of the high tariffs for Panama Canal transit and calls for Greenland to become part of the U.S., reflect concerns over China's expanding influence in these strategically significant regions. Trump also criticized the 1999 transfer of the Panama Canal to Panama as a misplaced gesture and expressed frustration over growing Chinese investments in the canal's surrounding infrastructure.

Trump's remarks have drawn attention to the Panama Canal's critical role in global trade and Greenland's abundant strategic resources, both of which have become focal points for Beijing's Belt and Road Initiative. In his statements, Trump highlighted that China's growing footprint in these regions poses a potential threat to U.S. economic and national security interests. Meloni reiterated that while these statements are unlikely to lead to direct U.S. annexation efforts, they send a strong message about America's resolve to counter China's influence and maintain control over critical trade routes and resources.

## 2. STATISTICS OF THE WEEK

### Asia's Economic Transition and Growth Projections

Asia's economies are projected to grow by 4.6% in 2024 and 4.4% in 2025, according to the latest IMF forecasts, underscoring the region's resilience. Advanced economies in the region, such as Korea and Japan, are expected to see moderate improvements, with Korea's growth projected at 2.5% in 2024 and 2.2% in 2025, while Japan's economy shows slower recovery at 0.3% and 1.1% over the same period. Emerging market and developing economies (EMDEs) are set to grow by 5.3% in 2024, led by countries like Vietnam (6.1%) and India (7.0%), maintaining their robust trajectory.

However, this sustained growth is accompanied by structural shifts. Historically driven by manufacturing, Asia is now witnessing a shift toward modern, tradable services such as finance, ICT, and business outsourcing. Services have drawn about half of the region's workforce, reflecting a broader transition toward higher-productivity sectors. Policymakers face the dual challenge of easing market barriers in services and equipping workers with the skills required to thrive in these emerging sectors, particularly as rapid aging and technological disruption reshape labor dynamics. Embracing these changes will be key to sustaining Asia's economic momentum.



## Economic forecasts: Asia and the Pacific

(real GDP growth; year-over-year percent change)

	2023	PROJECTIONS		CHANGE FROM APR 2024 WEO	
		2024	2025	2024	2025
<b>Asia</b>	<b>5.0</b>	<b>4.6</b>	<b>4.4</b>	<b>0.1</b>	<b>0.1</b>
<b>Advanced economies</b>	<b>2.0</b>	<b>1.6</b>	<b>1.9</b>	<b>-0.1</b>	<b>0.1</b>
Australia	2.0	1.2	2.1	-0.3	0.1
Hong Kong SAR	3.3	3.2	3.0	0.3	0.3
Japan	1.7	0.3	1.1	-0.6	0.1
Korea	1.4	2.5	2.2	0.2	-0.1
New Zealand	0.6	0.0	1.9	-1.0	-0.1
Singapore	1.1	2.6	2.5	0.5	0.2
<b>EMDEs</b>	<b>5.7</b>	<b>5.3</b>	<b>5.0</b>	<b>0.1</b>	<b>0.1</b>
Bangladesh	5.8	5.4	4.5	-0.3	-2.1
Brunei Darussalam	1.4	2.4	2.5	0.0	0.0
Cambodia	5.0	5.5	5.8	-0.5	-0.3
China	5.2	4.8	4.5	0.2	0.4
India	8.2	7.0	6.5	0.2	0.0
Indonesia	5.0	5.0	5.1	0.0	0.0
Lao P.D.R.	3.7	4.1	3.5	0.1	-0.5
Malaysia	3.6	4.8	4.4	0.4	0.0
Mongolia	7.4	5.5	7.0	-1.0	1.0
Myanmar	2.5	1.0	1.1	-0.5	-0.9
Nepal	2.0	3.1	4.9	0.0	-0.3
Philippines	5.5	5.8	6.1	-0.4	-0.1
Thailand	1.9	2.8	3.0	0.1	0.1
Vietnam	5.0	6.1	6.1	0.3	-0.4
<b>Pacific island countries</b>	<b>2.7</b>	<b>3.9</b>	<b>3.3</b>	<b>-0.1</b>	<b>-0.2</b>

Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: EMDEs = Emerging markets and developing economies. EMDEs exclude Pacific island countries and other small states. India's data are reported on a fiscal year basis. Its fiscal year starts from April 1 and ends on March 31. Pacific island countries aggregate is calculated using simple average, all other aggregates are calculated using weighted average.



[https://www.imf.org/en/Publications/REO/APAC/Issues/2024/10/31/regional-economic-outlook-for-asia-and-pacific-october-2024?utm\\_source=chatgpt.com](https://www.imf.org/en/Publications/REO/APAC/Issues/2024/10/31/regional-economic-outlook-for-asia-and-pacific-october-2024?utm_source=chatgpt.com)

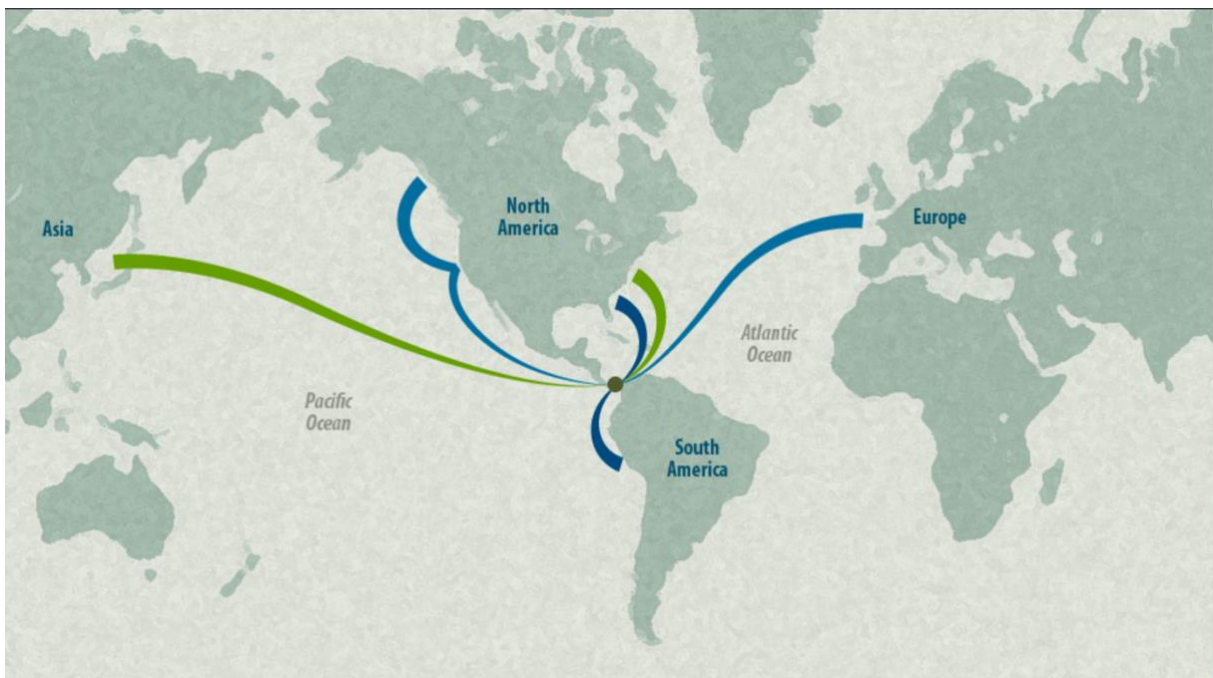


### 3. MAP OF THE WEEK

#### Main Trade Routes of the Panama Canal

The Panama Canal remains one of the most critical chokepoints in global trade, strategically linking the Atlantic and Pacific Oceans at the narrowest point of the Central American isthmus. Its geographical significance provides unparalleled access for countries engaged in trade across Asia, Europe, North America, and South America. This connectivity positions the canal as an essential artery for facilitating the flow of goods between global markets.

The primary trade routes utilizing the Panama Canal include the East Coast of the United States and Asia (Far East), the East Coast of the United States and the West Coast of South America, and the West Coast to the East Coast of South America. Other key routes include Europe to the West Coast of South America and the East Coast of the United States to the West Coast of Central America. In fiscal year 2023, these routes accounted for a total traffic of 510,370 PC/UMS net tonnage—a slight 1.5% decline from the previous year, highlighting the importance of the canal in maintaining global trade efficiency despite challenges.



<https://logistics.gatech.pa/en/logistics-platform/logistics-assets/panama-canal/main-features-panama-canal/statistics/#prettyPhoto>

## 4. PHOTO OF THE WEEK

### Tragedy in Tibet – Earthquake Devastation and Relief Efforts

This week's photo captures the aftermath of the devastating 7.1-magnitude earthquake that struck Dingri County, Shigatse, in Tibet Autonomous Region, China, on January 8, 2025. Rows of blue emergency tents erected for displaced residents stand as a stark reminder of the disaster's toll. The earthquake, centered near the Nepal border, has claimed at least 126 lives, though local sources suggest the true figure may be much higher. Over 3,600 homes were destroyed, and thousands of residents face freezing temperatures as relief efforts continue.

The earthquake's impact extends beyond immediate casualties and destruction, as reports indicate significant damage to monasteries and other cultural landmarks. While local authorities have restored essential infrastructure like roads and communications, strict restrictions on information sharing and relief operations have raised concerns about transparency and human rights. Meanwhile, Tibetans within and outside the region have rallied to provide support and prayers for the victims. This image underscores the fragility of life in one of the world's most remote and challenging regions.



(Photo: China Daily/Reuters)

<https://www.rfa.org/english/uyghur/2025/01/08/earthquake-death-toll-expected-to-climb/>

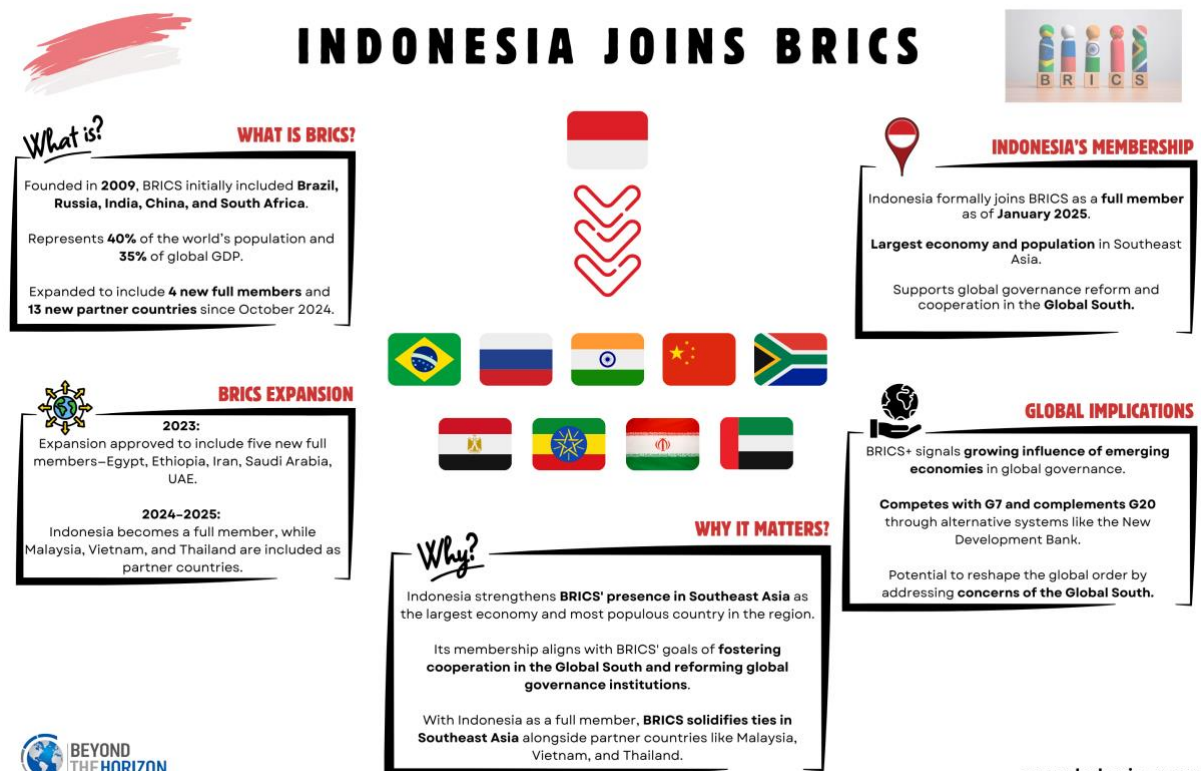


## 5. INFOGRAPHIC OF THE WEEK

### Indonesia Joins BRICS

This week's infographic highlights Indonesia's historic entry into BRICS as a full member, marking a significant milestone in the geopolitical landscape. BRICS, initially comprising Brazil, Russia, India, China, and South Africa, accounts for 40% of the world's population and 35% of global GDP. Indonesia, the largest economy and most populous nation in Southeast Asia, formally joined the bloc in January 2025, signaling the group's growing influence in global governance and its focus on fostering cooperation in the Global South.

The infographic emphasizes Indonesia's role in enhancing BRICS' presence in Southeast Asia, alongside partner countries like Malaysia, Vietnam, and Thailand. It sheds light on how BRICS+ not only complements platforms like the G20 but also offers alternative systems, such as the New Development Bank, to address the concerns of emerging economies. With its membership, Indonesia aligns with BRICS' overarching goals of global governance reform and advancing the priorities of the Global South, showcasing its potential to reshape international systems.



## 6. REGIONAL ALLIANCES

### Indonesia Joins BRICS – A Strategic Shift in Global Governance

The induction of Indonesia into BRICS marks a pivotal development in global geopolitics, signaling the alliance's evolution from a coalition of major emerging economies into a broader platform for reshaping international governance. Announced by Brazil, the 2025 chair of the bloc, Indonesia's membership reinforces the alliance's commitment to amplifying the voice of the Global South and fostering a multipolar world order. As Southeast Asia's largest economy and the world's fourth most populous nation, Indonesia brings considerable strategic and economic weight to BRICS, further solidifying its role as a counterbalance to Western-dominated institutions.

Indonesia's inclusion, approved in principle at the 2023 Johannesburg Summit, was delayed until after its general elections and the formation of a new government under President Prabowo Subianto in late 2024. The timing underscores Jakarta's deliberate approach to aligning its domestic priorities with its foreign policy goals. President Subianto's administration views BRICS membership as a vehicle for advancing economic cooperation, technological innovation, and global governance reforms. For Indonesia, this partnership offers a platform to advocate for the interests of developing nations, address inequalities in trade and investment, and contribute to sustainable development on a global scale.

#### Expanding BRICS: Strength in Numbers and Diversity

With Indonesia's entry, BRICS now boasts a membership that spans continents and cultures, encompassing 40% of the global population and 35% of the world's GDP. The bloc's recent expansion, including new members such as Egypt, Ethiopia, the UAE, Malaysia, Vietnam, and Thailand, highlights its growing ambition to serve as a forum for diverse nations to collectively challenge traditional power structures. Indonesia's strategic location in Southeast Asia—a region crucial to global trade routes and economic security—further enhances BRICS' geopolitical influence.

For Brazil, the chair of BRICS in 2025, Indonesia's inclusion reflects the bloc's focus on fostering cooperation within the Global South. Brazil has emphasized Indonesia's shared commitment to reforming global governance institutions, which are often criticized for marginalizing emerging economies. By deepening its engagement with BRICS, Indonesia not only enhances the bloc's capabilities but also strengthens its own position as a bridge between the Indo-Pacific and the wider Global South.

#### Challenges and Opportunities Ahead

While Indonesia's entry represents an undeniable boost to BRICS' stature, the alliance faces significant challenges in maintaining cohesion among its increasingly diverse membership. Aligning the priorities of countries with varying economic models, political systems, and regional interests will require strategic coordination and effective diplomacy. For instance, addressing sensitive issues such as trade barriers,

technology sharing, and climate policy could test the bloc's ability to deliver tangible results for its members.

Despite these challenges, Indonesia's membership in BRICS presents opportunities for the bloc to innovate and evolve. As a leading voice in Southeast Asia, Indonesia can champion initiatives that reflect regional priorities, such as equitable trade practices, infrastructure development, and climate adaptation strategies. Its participation could also inspire other emerging economies to view BRICS as a viable alternative to traditional global institutions.

## **Conclusion**

Indonesia's accession to BRICS symbolizes a significant milestone in the alliance's journey toward greater inclusivity and influence. By incorporating one of the world's most dynamic economies, BRICS has underscored its commitment to building a multipolar world order that prioritizes the voices of developing nations. For Indonesia, this partnership offers a valuable opportunity to shape global policies that align with its vision for equitable growth and regional stability.

As BRICS continues to expand and adapt, Indonesia's membership serves as both a testament to the bloc's appeal and a challenge to its effectiveness. The coming years will determine whether BRICS can harness its growing diversity to drive meaningful change on the global stage. If successful, the alliance could redefine the balance of power in international relations, positioning itself as a cornerstone of global governance in the 21st century.

## 7. ANALYSIS

### The Panama Canal: A Strategic Battleground in U.S.-China Geopolitical Rivalry

The Panama Canal, a vital artery of global commerce, is increasingly becoming a geopolitical flashpoint between the United States and China. This iconic waterway, facilitating 6% of global trade, connects the Atlantic and Pacific Oceans and plays a critical role in the economic and military logistics of the Western Hemisphere. However, its importance transcends commerce; it symbolizes the shifting balance of power between two global superpowers vying for influence in Latin America and beyond.

#### Historical and Strategic Context

The Canal's history is deeply intertwined with U.S. influence. Constructed in the early 20th century and operated by the U.S. until 1999, the Canal was a critical asset in the projection of American economic and military power. The Torrijos-Carter Treaties of 1977 ensured the eventual transfer of the Canal to Panama while guaranteeing its permanent neutrality under the oversight of the Panama Canal Authority (ACP). The treaties also granted the United States the right to defend the Canal against any threats to its neutrality, a provision that remains central to its strategic calculus.

China's involvement in Panama began to intensify after the Panamanian government severed ties with Taiwan in 2017 and established diplomatic relations with Beijing. This alignment with China's Belt and Road Initiative (BRI) has facilitated significant Chinese investments in infrastructure projects around the Canal, including ports, energy facilities, and logistics hubs. These developments have sparked growing concern in Washington, where policymakers view China's presence as a potential challenge to the Canal's neutrality and a broader threat to U.S. influence in the region.

#### China's Expanding Footprint

Chinese companies have steadily increased their involvement in Panama's logistics and infrastructure sectors. Major projects include the \$900 million acquisition of Margarita Island, a deep-water port on the Atlantic side, and the construction of the Panama-Colón Container Port, spearheaded by Chinese state-owned enterprises. These facilities, strategically positioned at either end of the Canal, provide China with a logistical foothold to manage transshipment cargo and support its broader trade ambitions in the Americas.

In addition to port operations, Chinese firms have secured contracts for major infrastructure projects, such as the fourth bridge over the Canal and energy-related facilities like natural gas-fired power plants. These investments align with China's BRI objectives, enhancing its economic presence while fostering closer ties with Panama. However, this expanding footprint raises concerns about potential dual-use



applications of Chinese-managed infrastructure, particularly in times of geopolitical tension.

### **U.S. Concerns and Strategic Calculations**

For the United States, the Panama Canal remains a cornerstone of its national security and economic interests. In 2021, over 70% of the Canal's traffic originated from or was destined for U.S. ports, underscoring its critical role in American supply chains. China, as the second-largest user of the Canal, accounts for a smaller share but remains a significant player. The neutrality of the Canal, guaranteed under the Torrijos-Carter Treaties, is essential to maintaining this balance. Yet, China's growing presence in surrounding infrastructure has prompted fears of potential leverage over Canal operations.

U.S. policymakers have highlighted the risks of Chinese influence, particularly regarding port operations managed by Hong Kong-based Hutchison Ports. Given Beijing's national security laws, which can compel private companies to support government objectives, concerns about surveillance, intelligence gathering, and potential interference in Canal operations have intensified. Recent testimony by U.S. officials underscores the strategic importance of countering Chinese influence while preserving the Canal's neutrality.

### **Challenges and Opportunities for Panama**

Panama finds itself at the nexus of this geopolitical rivalry, balancing its relationships with two of the world's largest economies. While Chinese investments have brought much-needed infrastructure development and economic opportunities, they also pose risks of dependency and political alignment. President Laurentino Cortizo's administration has sought to recalibrate Panama's foreign policy by emphasizing ties with the United States and scaling back some Chinese projects initiated by his predecessor.

The drought-induced disruptions in the Canal's operations have added another layer of complexity. With water levels in Gatun Lake dropping to record lows, the Canal Authority has imposed restrictions on ship transits, driving up costs and highlighting vulnerabilities in its water management systems. Chinese companies have shown interest in addressing these challenges, offering to invest in long-term solutions. However, such involvement could further entrench Chinese influence, complicating Panama's efforts to maintain a balanced foreign policy.

### **Broader Geopolitical Implications**

The Panama Canal's strategic significance extends beyond U.S.-China competition. As a critical chokepoint for global trade, its operations impact supply chains, shipping costs, and international commerce. The increasing integration of Chinese companies into global port operations, including those near the Canal, reflects a broader strategy to secure logistical hubs and expand Beijing's geopolitical reach. For the United States, countering this influence requires not only military and economic measures but also a

renewed focus on infrastructure investment and diplomatic engagement in Latin America.

Panama's decision-making in the coming years will have far-reaching consequences. The potential renewal of Hutchison Ports' contracts, the allocation of future infrastructure projects, and the management of Canal operations will shape the geopolitical landscape of the region. A transparent and competitive bidding process for infrastructure contracts could provide an opportunity for U.S. and allied firms to reassert their presence, while strengthening governance and reducing corruption.

### **Conclusion**

The Panama Canal remains a symbol of global connectivity and strategic importance, but it is also a battleground for competing visions of influence and control. As China continues to expand its presence in the region, the United States faces the challenge of preserving the Canal's neutrality while countering Beijing's economic and political foothold. For Panama, navigating this complex geopolitical environment will require careful balancing, strategic foresight, and a commitment to transparency and sovereignty. The decisions made in the coming years will not only shape the future of the Canal but also define the dynamics of great-power competition in Latin America and beyond.

