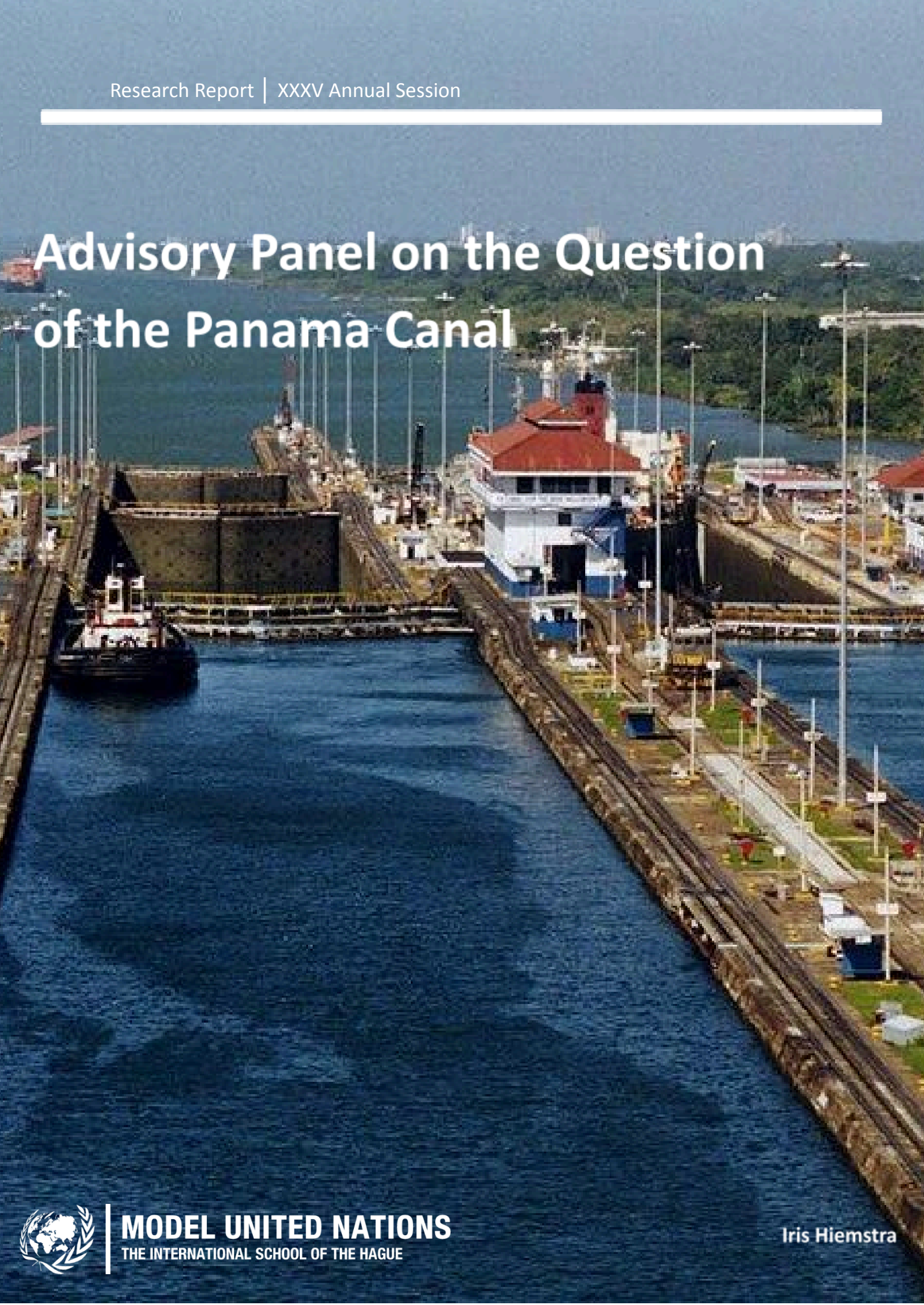
Advisory Panel on the Question of the Panama Canal



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Introduction

The conflict in the Panama Canal area is a broad topic and will as such be split into three parts. This specific research report will discuss the political side of the issue. The Panama crisis refers to the disruption of shipments through the canal due to the severe drought since 2019, reaching its peak in 2023. With about 7% of global trade passing through it, the canal makes up one of the world's most important waterways. If it does not have enough freshwater flowing in, for example, due to rainfall, the canal's locks cannot raise and lower ships between the Pacific and Atlantic Ocean. The same freshwater needed for the canal is then also required for the area's other needs including being used by farmers and Indigenous people for watershed, being used as hydropower, and as drinking water for millions of Panamanians. Lake Gatun, which acts as one of the canal's main water sources, has historically forced the Panama Canal Authorities to implement restrictions on the size and amount of vessels allowed through daily, all due to the lake's low water levels. This has resulted in shipment delays and increases in costs for the shipping companies, thus largely impacting the global supply chain.

We hope this research report will provide a helpful initial reading for delegates, aiding to create a weekend full of fruitful debate in the upcoming conference.

Definition of Key Terms

Autonomous

Independent and being able to make your own decisions.

Novelty

The state of something being new or not been experienced before, making it unusual and interesting.

Sovereignty

Sovereignty is described by the Cambridge dictionary as: “the power of a country to control its own government.”

Vessel

A vessel refers to a large boat or ship used for transportation on water, usually meant for trade.

General Overview

The Panama Canal was finished in August of 1914. It is approximately 82 kilometers long. The width varies, with the minimum spanning 150 meters and the widest parts reaching 300 meters. The locks, which are used to lower and raise vessels, are about 33.53 meters wide. Together with the Suez Canal, the Panama Canal is one of the two most strategic artificial waterways in the world. The usage of the Panama Canal can shorten a ship’s route by around 15000 kilometers when sailing between the east and west coast of the United States of America. Today the canal has fallen victim to an extreme drought, causing problems such as limited trading, not enough drinking water and political issues.

History

The importance and usefulness of a canal passing through Central America has been recognised since the 16th century. The first attempt to build one started in 1881. It was under instruction of Ferdinand de Lesseps, who had recently had success building the Suez Canal. Despite this however, he did not realise or want to acknowledge the difference between the land of the two different areas. Simultaneously, the engineer Lepináy came up with a

different proposal regarding the build of the canal in 1879. However, his plan was dismissed and Lesseps's model was chosen for construction instead. Unfortunately though, this was not without its difficulties and, before building could start, the French company set to begin the construction of the canal collapsed in 1889. They then tried to rebuild themselves in 1894 but again ceased to exist in 1898. This fraught history resulted in the slow progress of the canal, exacerbated by ill-suited machinery and disease. This half dug canal started by the French was therefore later used to build the Panama canal. In 1902, the Spooner Act authorised the purchasing of the assets of the earlier French company and the build for the canal. By the summer of 1904, work on the construction had started. The French had initially dismissed the idea of building a sea level canal and switched to the plan of building a high-level canal with locks. The Americans adopted this plan, and construction began once again. The plan ultimately approved was a lot like that suggested by Lepináy years before, and because of this, he is now seen as a master of engineering and architecture, named the creator of the blueprint used to construct the Panama Canal.

From the opening of the Canal in 1914 until 1979, the canal was in the hands of the United States of America, as they were the ones who ultimately built it. In 1979, the control switched to the Panama Canal Commission, which consisted of both the United States and the Republic of Panama. This shared ownership continued until the end of 1999, before switching over completely to the Republic of Panama, where it has remained ever since. Currently the Panama Canal Authority is in charge of the canal's administration.

Current political situation

In a treaty signed in 1977, the United States of America agreed to fully give control of the Panama canal to Panama by 1999. The treaty does give the US the right to defend the canal from any threats, but clearly states that the usage of the canal should remain neutral in times both of war and of peace. They went through with the treaty. Now, in 2025, the current president Donald J. Trump has made statements about "taking the Panama Canal back", therefore going against the agreement. The reasoning behind this is that the President claims that the canal is being operated by the Chinese and that the control was "foolishly given to Panama". Trump also claims that the fees to pass the canal for US vessels are too high and that they are being treated unfairly. He states that these actions go against the Torrijos-Carter treaties of 1977. These claims did not come with supporting evidence. Since making these

statements, citizens of Panama are afraid of what the consequences of the United States' involvement might be. Not only would Panama suffer under the consequences, so would many other countries in Latin America, along with the US-China competition in this region. The current state of business is that Panama has highlighted its autonomous administration and dedication to just, equal, and globally compliant tolls.

The government could be put at blame for not being prepared for the consequences of global warming and not making the Panama canal sustainable in the long run. The canal was built long before climate change became apparent, meaning that it was never constructed with a drought of this size in mind. Critics have therefore cited poor planning and management, stressing that its structure may need to be reevaluated for it to be sustainable in the future. The ACP has therefore planed to be carbon-emission free by 2050. However, whether these targets are met or not will depend on whether new solutions can be imagined to be able to keep up with the large demand of water in the area.

The drought also caused debates about the balance between drinking water for Panamanians or global trade. These debates have had a great impact on the government's legitimacy and trust. The citizens of Panama have pressured the government to prioritise drinking water. There have also been many protests regarding the solution of building a new water reservoir (see previous attempts to solve the issue). For example, 200 participants on boats, especially farmers, went on the Indio river waving Panamanian flags to express their concerns, exhibiting growing popular discontent. Certain recently approved solutions such as the construction of a new reservoir will force approximately 2000 people to be misplaced from their home, again further undermining the governments legitimacy.

Finally, due to external influences, considering that the Panama canal is a globally used waterway, Panama’s sovereignty is under great threat. With the claims made by the US president coupled with China’s growing presence, this creates a complex conflict over control, influence and independence. Panama keeps reinstating its neutrality amid these challenges.

United States of America influence

With the Torrijos-Carter treaties signed in 1977, the United States signed over the control of the canal back to Panama completely by 1999. Going against these treaties would violate international principles of sovereignty and longstanding United States foreign policy

norms, damaging the United States' reputation and their standing globally. During the senate's hearing on the Panama canal beginning of 2025, an expert argued that withdrawing from the treaties would not reverse the fact that Panama is in charge of the canal. The treaty does allow the US to defend the canal and intervene militarily. This fact is aimed to preserve the canal's neutrality.

If the US does decide to take over the canal, the consequences would be significant. For starters it would be a breach of the treaties as mentioned above and alter the global standing of the country. It would also cause fallout in Latin America, straining the relations between numerous countries and the US. The canal is vital for global transport, meaning that any military intervention which requires that the vessels passing through be halted would be highly unpopular, and thus have an immense global impact. The risk of a terrorist attack on the canal would also become much bigger if the US military were to be stationed there.

Major Parties Involved

United States of America

The United States of America is one of the biggest countries in the world and is geographically surrounded by Mexico, Canada, the Atlantic and Pacific Ocean and the Gulf of Mexico. The country consists of 48 conterminous states and 2 states not connected to the mainland: Hawaii and Alaska. The involvement of the United States is already discussed in the general overview.

The Republic of Panama

The Republic of Panama is a country located in central America and acts as a connecting bridge between South and North America. Being the home country of the canal, the crisis has the biggest consequences for them. Not only does it affect the trade going through the canal, it affects the citizens of the country along with the agriculture and tourism in Panama. The political crisis has caused tension between Panama and the US, straining their alliance. Panama is also undergoing massive global pressure to distance themself from China and restore their relations with the US.

China

China, known as the People's Republic of China (PCR), is located in east Asia and is one of the biggest countries in this region. In June of 2017, the Panamanian government decided to establish diplomatic relations with China. Since the handover of the Panama Canal to Panama, China has slowly expanded their economic and geopolitical influence in the country. They have done this by buying or investing in ports along the canal and surrounding areas. Due to the US-China conflict and the big presence of China in Panama, the US is concerned and wants to take the canal back.

Timeline of Key Events

Date	Description of event
1881	The French started digging the Panama Canal.
February 23th 1904	The United States got ownership over the canal from the French.
May 4th 1904	The US started actively working on digging the Panama Canal.
May 10th 1913	The waters of the Pacific and Atlantic ocean sides flowed through the canal's system and met for the first time.
August 15th 1914	The first vessel made its way through the new canal.
September 15th 1977	The US signed the treaty stating they will give over full control of the canal to its home country Panama by the end of the century.
Noon December 31th 1999	The control of the Panama Canal was fully passed to the Republic of Panama.
September 2007	Work to expand the waterway starts.
June 2016	The work on the expansion of the Panama canal finishes up.
December 2024	Even though the Panama Canal was not a campaign point during the election of 2024, once elected, Trump said that US vessels were "being severely overcharged and not treated fairly" and threatened to "take the canal back or something very powerful is going to happen."
February 5th 2025	A statement falsely claiming that the US's vessels would no longer be charged to travel through the canal was posted by the US State Department.
March 4th 2025	Trump says in his speech in congress: "To further enhance our national security, my administration will be reclaiming the Panama Canal. We're taking it back".

UN involvement, Relevant Resolutions, Treaties and Events

- Treaty concerning the Permanent Neutrality and Operation of the Panama Canal, 7 September 1977 (UNTS, Vol. 1161, No. 18342)
- Panama Canal Treaty, 7 September 1977 (UNTS, Vol. 1280, No. 21086)

  These treaties are known as the Torrijos–Carter Treaties and serve as the central legal framework for the Panama Canal's political status and sovereignty.

Previous Attempts to solve the Issue

Due to the novelty of this crisis, not a lot has been done to solve the issue. In march of 2025, a Hong-Kong based company sold two ports to a US based company. This regards the CK Hutchison-Blackrocks deal. Included in the deal is not only the Panama canal ports, but a total of 80 percent ownership of 43 international ports and a parallel agreement to sell 90 percent of the ownership over two terminals by the canal. This all for a price of 22.8 billion US dollars. This deal is, for Trump, a step in the direction of taking back the canal from what he perceives to be Chinese ownership. This could however help lower certain tensions and give the United States a sense of control. On the other hand, China was naturally discontent about this action. A Chinese government newspaper published on March 13th 2025 commented on the sale, calling it a betrayal and submission to US pressure. They also stated that by selling those ports, the United States could restrict China’s usage of the canal. Panama’s reaction was to review the contracts. The country’s Attorney General has called the contract extension to Hutchison "unconstitutional". The state of the deal by the end of March was that China had successfully halted the transaction and launched an investigation, stalling the overall process. This action has caused much global uncertainty, especially surrounding trade.

The different treaties regarding this issue, for example the Torrijos-Carter treaties, made a good legal framework for the issue at hand. Seeing as most of the countries involved have ratified these agreements, it provides a good basis for global cooperation to build upon them.

Due to the United State's concerns about external influences from, for example, China, Panama reinstated the canal's neutrality and commitment to the signed treaties. This did not however reassure president Trump and relations remain fraught.

In February of 2025, the Panama Canal Board of Directors approved funding necessary to build a new reservoir in the Rio Indio basin. This is not only a step towards water security for the trade going through the Panama canal but also for the country's citizens.

Possible Solutions

To solve the issue at hand, it is important to open up the conversation between the countries involved to first lower the tension between them. It is then imperative to restate the commitment to the treaty signed in 1977. Publicly reaffirming this treaty that initially stressed neutrality, will help bring down tension and address both the US's and Panama's concerns on interference and sovereignty. Appointing an impartial third party to monitor the Panama Canal Authority would also help ensure the canal does in fact stay neutral, thus ensuring that all parties are treated equally. After the claims made by the president of the United States, an interesting solution to be discussed during debate, could be the possibility of instating an American ambassador in Panama to help the oversight.

It is important, regarding this topic, to make sure tensions stay low and countries involved are willing to make compromises. For example, giving the control of the Panama Canal back to the United States could have a big global impact and would cause tensions rising between China and the other involved countries. Selling more ports to other countries could also be a solution to the issue and worth looking into, yet even here, the consequences of such actions would also have large ripple effects.

Panama's sovereignty is also important to keep in mind, solutions which might undermine this are more likely to be met with resistance by the country.

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Appendix or Appendices

To discuss this issue, it is important to know what the Panama Canal is. In this section you'll find links that were found useful during writing the report.

I. https://www.britannica.com/topic/Panama-Canal
II. https://www.iris-france.org/en/panama-canal-a-coveted-space-at-the-heart-of-the-us-china-rivalry/
III. https://www.hks.harvard.edu/faculty-research/policy-topics/international-relations-security/why-panama-canal-president-trumps

When doing research on your appointed country, we suggest looking at Britannica. This site has information on all UN countries and might help knowing what your country's standpoint is on the issue at hand.

IV. https://www.britannica.com/