



# Panama: Country Overview and U.S. Relations

Panama’s central location in the Americas (linking North and South America), large financial sector, use of the U.S. dollar as currency, and transportation infrastructure—especially the Panama Canal—make the country a global trade hub. Panama is in the midst of a political transition following general elections on May 5, 2024, as conservative President-elect José Raúl Mulino is due to replace outgoing center-left President Laurentino “Nito” Cortizo on July 1. Given Panama’s strategic importance to U.S. commerce and security, some Members of Congress have sought to strengthen U.S.-Panama relations.

**Figure 1. Map of Panama**



Source: CRS.

## Political and Economic Environment

Panama reestablished representative democracy in 1989, following a U.S. military intervention that ousted the military regime of General Manuel Antonio Noriega. Since then, Panama has held regular free and fair elections, and governments generally have respected civil liberties and political rights, though corruption has remained a challenge.

Outgoing President Cortizo, of the Democratic Revolutionary Party (PRD), took office in July 2019 after narrowly winning the May 2019 presidential elections with 33% of the vote. Cortizo’s PRD entered into a coalition with a smaller party to secure a small legislative majority. Cortizo faced a series of political and economic setbacks over the course of his term, contributing to an 88% disapproval rating in February 2024, according to one poll.

The pandemic took a toll on Panama’s services-oriented economy, which contracted by 17.9% in 2020 due to the slowdown in international commerce and shipping, according to the International Monetary Fund (IMF). Growth returned in 2021, with gross domestic product (GDP) expanding by 15.8%, and continued in 2022 with an expansion of 10.8%. GDP growth slowed to an estimated 6.0% in 2023, and the IMF projects slower GDP growth of approximately 2.5% in 2024. The decrease is due in part to Cortizo’s December 2023 decision to close the profitable Cobre Panamá copper mine following popular protests and

a Panamanian Supreme Court ruling that the country’s new contract with a Canadian mining firm was unconstitutional.

**Panama at a Glance**

**Population:** 4.45 million (2022, IMF est.)

**Area:** 29,120 square miles, slightly smaller than South Carolina (CIA *World Factbook*)

**Gross Domestic Product (GDP):** \$87.24 billion (2024, current prices, projected, IMF)

**Per Capita GDP:** \$19,350 (2024, current prices, projected, IMF)

**Key Trading Partners:** United States (20.1%), China (15.0%), Japan (4.3%), Mexico (3.7%), and Costa Rica (2.5%) (2022, total merchandise trade, TDM)

**Sources:** Central Intelligence Agency (CIA) *World Factbook*, International Monetary Fund (IMF), Panama National Institute of Statistics, as presented by Trade Data Monitor (TDM).

## 2024 Elections

President-elect José Raúl Mulino, who ran as head of a coalition of two conservative parties, Realizing Goals (RM) and Alliance, captured 34.3% of the vote in general elections on May 5, 2024. His inauguration to a five-year term is scheduled for July 1, 2024.

Mulino had been the 2024 vice-presidential running mate of former President Ricardo Martinelli (2009-2014). The Supreme Court barred Martinelli from running for the presidency after upholding a lower court’s conviction that sentenced him to more than 10 years in prison on money laundering charges. Nicaraguan President Daniel Ortega subsequently granted Martinelli political asylum; Martinelli has been residing in the Nicaraguan embassy in Panama City since February 2024. Mulino himself faced a constitutional challenge, which Panama’s Supreme Court rejected days before the election took place.

Panamanians also elected members of the 71-seat National Assembly in the May general elections. No party won a simple majority. Mulino’s RM and Alliance parties together won 15 seats; independent representatives won 21 seats in the Assembly. The RM and Alliance parties are working to develop a majority coalition in the legislature with representatives from other parties. Once in office, Mulino has pledged to focus on stimulating the economy, improving the social security system, and closing the Darién Gap to irregular migration through Panama.

## U.S.-Panama Relations

Close U.S.-Panamanian relations stem in part from the extensive linkages developed when the Panama Canal was under U.S. control (1914-1999) and Panama hosted major U.S. military installations. In February 2024, the United

States and Panama reinforced their mutual commitment to bilateral security cooperation under the pillars of border security, citizen security, cyber security, and maritime security. Some Members of the 118<sup>th</sup> Congress have sought to strengthen the partnership by advocating increased cooperation on commercial, migration, and security matters. S.Res. 357, for example, calls on the President to engage with Panama and other members of the Alliance for Development in Democracy (ADD; Costa Rica, Dominican Republic, and Ecuador) to advance shared priorities and U.S. economic and security interests.

In November 2017, Panama became the first country in Latin America to join the People’s Republic of China’s (PRC’s) Belt and Road Initiative, which aims to develop China-centered global infrastructure, transportation, trade, and production networks. Some U.S. military leaders have expressed concerns that the presence of PRC-linked companies along the Panama Canal may present a security vulnerability for the United States. The House report (H.Rept. 118-146 to H.R. 4665) accompanying the House-passed Department of State, Foreign Operations, and Related Programs (SFOPS) Appropriations Act, 2024 (P.L. 118-47) echoes those concerns. The Senate report (S.Rept. 118-71 to S. 2438) accompanying the SFOPS bill for FY2024 directs the Secretary of State to report to the Appropriations Committees on PRC influence in Panama.

### Trade and Investment

A bilateral free trade agreement (FTA) that entered into force in 2012 (P.L. 112-43) has significantly liberalized trade between the United States and Panama. As Panama has a primarily services-based economy, it runs a large merchandise trade deficit with the United States. In 2023, the United States exported \$11.2 billion in goods to Panama and imported \$527 million in goods, according to the U.S. Census Bureau. U.S. services exports to Panama in 2022 totaled \$2.6 billion, and imports totaled \$2.4 billion.

Over the past two years, the United States and Panama have collaborated on efforts to strengthen supply chains. This has included multilateral cooperation under the Americas Partnership for Economic Prosperity, a regional integration initiative, and the U.S.-ADD Consultative Dialogue on Supply Chains and Economic Growth. In July 2023, the Biden Administration announced a bilateral partnership with Panama to explore opportunities to strengthen the global semiconductor supply chain under the CHIPS Act of 2022 (H.R. 4346). H.Rept. 118-146 encourages the U.S. International Development Finance Corporation to prioritize infrastructure and port projects to develop secure supply chains in Panama and other ADD members.

### Migration

Large-scale northward migration through the Darién Gap, a stretch of dense rainforest along the border of Colombia and Panama, has become a humanitarian and security concern for Panama and the broader region (see **Figure 1**). Migrants in the Darién face high risks of crime, disease, and injuries. Panama cooperates with Colombia and Costa Rica to regulate the flow of migrants and prosecute smugglers.

The scale of migration has challenged Panama’s border patrol, which devotes resources to registration and biometric screening of migrants and rescuing those in distress. Panamanian officials estimate that more than

520,000 migrants entered through the Darién in 2023, more than 60% of whom were Venezuelan nationals. Panama recorded more than 139,000 migrants crossing into Panama from January to April 2024, almost 10% more than the same period in 2023.

Panama also cooperates closely with the United States on migration matters, including to detect and detain potential security threats. H.Rept. 118-146 directs the Secretary of State to submit a report on opportunities to support Panama in its management of migrant flows.

### Drug Trafficking and Money Laundering

According to the State Department’s 2024 *International Narcotics Control Strategy Report* (INCSR), Panama’s location makes it a major transit country for cocaine smuggling by drug trafficking organizations; up to 40% of cocaine produced in Colombia reportedly passes through Panama. According to the INCSR, Panama is among the U.S. government’s most capable partners in the region in countering illicit narcotics.

The United States and Panama also collaborate on efforts to combat financial crimes, including through a bilateral Anti-Money Laundering and Anti-Corruption Task Force, operating since May 2021. In October 2023, Panama was removed from the Financial Action Task Force’s “gray list” of countries deemed to have insufficient efforts to combat money laundering.

### Panama Canal Concerns

The Panama Canal is responsible for more than 6% of Panama’s GDP, with more than 14,000 vessel transits in 2023. Since fall 2023, the El Niño climate phenomenon has resulted in severe drought conditions in Panama. Record-low water levels led to the first-ever restrictions on the number of daily transits through the canal, which had a typical range between 36 and 38 crossings prior to the drought. As of June 2024, daily vessel transits are expected to increase to 32 crossings per day, up from the 22 daily crossings in December 2023. Some 72% of transits through the canal are either toward or away from U.S. ports, according to the U.S. State Department.

### U.S. Assistance

The United States provides foreign assistance to Panama across a number of sectors, including border security, drug trafficking, and health services.

In FY2023, the Biden Administration requested \$1.2 million in bilateral funding, including \$500,000 for Nonproliferation, Anti-terrorism, Demining, and Related (NADR) programs and \$725,000 for International Military Education Training (IMET); the Administration requested level funding for such programs in Panama for FY2025. In addition to NADR and IMET funds, it is typical for Panama to receive funding through regional and global accounts. For example, in FY2023, the United States allocated \$12.5 million of Global Health Programs assistance for HIV/AIDS activities.

---

**Leticia Chacon**, Analyst in Foreign Affairs

IF10430

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.