

Updated December 17, 2024

Panama: Country Overview and U.S. Relations

Panama is strategically important to U.S. commercial and security interests, given its central location in the Americas (linking North and South America), the Panama Canal, large financial sector, and role as a transit country in regional migration. Panama has seen large-scale northward migration through the Darién Gap, a stretch of dense rainforest along the Colombia-Panama border, raising humanitarian and security concerns in the region (see **Figure 1**). During the 118th Congress, some Members have advocated increased cooperation with Panama on security, migration, and commercial matters. Some Members have expressed concerns about Panama's relations with the People's Republic of China (PRC, or China).

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.

On July 1, 2024, José Raúl Mulino was inaugurated as the president of Panama after winning the May 2024 presidential election with 34% of the vote. Mulino, who was backed by a conservative coalition made up of the Realizing Goals (RM) and Alliance parties, succeeded center-left President Laurentino “Nito” Cortizo. Mulino initially had been the 2024 vice-presidential running mate of former President Ricardo Martinelli (2009-2014). The Supreme Court barred Martinelli's candidacy after upholding a lower court's conviction that sentenced him to more than 10 years in prison on money-laundering charges. 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 in the National Assembly.

Mulino has pledged to focus on reducing the fiscal deficit, improving the social security system, and closing the

Darién Gap to irregular migration through Panama. In July 2024, Mulino closed five identified migration paths in the Darién irregular migration corridor. In October 2024, polls showed a 78% approval rating for Mulino.

Panama at a Glance

Population: 4.5 million (2024 est., IMF)

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

Gross Domestic Product (GDP): \$87.4 billion (2024 est., current prices, IMF)

Per Capita GDP: \$19,370 (2024 est., current prices, IMF)

Key Trading Partners: China (17.2%), United States (16.1%), European Union (10.3%), Japan (4.0%), and Mexico (3.8%) (2023, 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).

The COVID-19 pandemic took a toll on Panama's services-oriented economy, which contracted by 17.7% 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%; GDP continued to expand in 2022 by 10.8% and in 2023 by 7.3%. The IMF projects slower GDP growth of approximately 2.5% in 2024.

U.S.-Panama Relations

Close U.S.-Panama 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, at their seventh annual High-Level Security Dialogue, the United States and Panama reaffirmed their mutual commitment to bilateral security cooperation in the areas of border security, citizen security, cybersecurity, and maritime security. Some Members of the 118th Congress have expressed support for strengthening the U.S.-Panama partnership. 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 U.S. economic and security interests.

Panama Canal

The Panama Canal is responsible for more than 6% of Panama's GDP, with more than 14,000 vessel transits in 2023. Some 72% of transits through the canal are either toward or away from U.S. ports, according to the U.S. State Department. In addition to its commercial importance, the canal is a key “security chokepoint” for U.S. Coast Guard and Department of Defense vessels. The Senate-reported version of a National Defense Authorization Act for Fiscal

Year 2025 (S. 4638) would require the Secretary of Defense to submit a report to the Armed Services Committee on Panama Canal security (§1051).

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. In November 2017, Panama became the first country in Latin America to join the PRC's Belt and Road Initiative, which aims to develop China-centered global infrastructure, transportation, trade, and production networks. S.Rept. 118-200, accompanying the Senate committee-reported Department of State, Foreign Operations, and Related Programs (SFOPS) appropriations bill for 2025 (S. 4797), would direct the Secretary of State to report to the Appropriations Committees on both PRC and Iranian influence in Panama. The report also would require the Secretary of State to assess Panama's commitment to denying canal access to vessels affiliated with military forces of a state sponsor of terrorism or foreign terrorist organizations. Some Members of Congress have urged Panamanian officials to ensure Panamanian-flagged vessels are not transporting Iranian oil in violation of U.S. sanctions.

Migration

Large-scale northward migration through the Darién Gap has challenged Panama's border patrol and raised security concerns in the region and for the United States. 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.

Panamanian officials estimate that over 520,000 migrants entered through the Darién in 2023, more than 60% of whom were Venezuelan nationals. Panama recorded 297,354 migrants crossing into the country irregularly through the Darién Gap from January to November 2024—approximately 40% lower than the same period in 2023. Some Panamanian authorities credit the overall decrease in irregular crossings in 2024 in part to stricter security measures implemented by the Mulino government.

Panama cooperates closely with the United States on migration matters. On Mulino's inauguration day, his government met with U.S. Secretary of Homeland Security Alejandro Mayorkas and signed a Memorandum of Understanding on Assistance and Cooperation in Migration Matters in which the Biden Administration committed to fund a foreign assistance program to provide safe, effective, and humane repatriation for migrants without a legal basis to remain in Panama. The U.S. government also cooperates with Panamanian authorities to help detect and detain individuals considered to be potential security threats.

H.Rept. 118-554 to the House-passed FY2025 SFOPS bill (H.R. 8771) identifies Panama as among the Latin American countries that are "carrying heavy burdens" from migration crises and merit more U.S. support. H.Rept. 118-554 would direct the Secretary of State to submit a report on opportunities to support Panama in its management of migrant flows.

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 more than \$11 billion in goods to Panama and imported \$527 million in goods, according to the U.S. Census Bureau.

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 and Science Act of 2022 (P.L. 117-167). H.Rept. 118-146 to the House-passed version (H.R. 4665) of the FY2024 SFOPS Act (P.L. 118-47) 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.

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's exclusive economic zone. According to the INCSR, Panama is among the U.S. government's most capable partners in the region in countering illicit narcotics. In September 2024, the Biden Administration identified Panama in a memorandum listing major drug transit or illicit drug producing countries for FY2025.

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. 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.

U.S. Assistance

The United States provides foreign assistance to Panama across numerous sectors, including border security, drug trafficking, and health services. For FY2025, the Biden Administration requested \$1.2 million in bilateral funding, including \$500,000 for Nonproliferation, Anti-terrorism, Demining, and Related programs and \$725,000 for International Military Education Training. While neither FY2025 SFOPS bill (H.R. 8771/S. 4797) would designate an overall funding level for Panama, H.Rept. 118-554 would designate \$2 million in Foreign Military Financing for Panama. In addition to bilateral funds, Panama typically receives funding through regional and global accounts; for example, in FY2023, the United States allocated \$12.5 million in Global Health Programs assistance for HIV/AIDS activities. Panama also receives additional U.S. economic and humanitarian assistance to support migration management efforts.

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.