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U.S.-Panama Relations: Overview and Issues for Congress

The United States and Panama generally have maintained close relations since Panama's independence in 1903. Close bilateral ties are largely rooted in the extensive linkages developed between the two countries when the United States controlled the Panama Canal and Panama hosted several U.S. military installations. The United States constructed and operated the Panama Canal for much of the 20th century before transferring its control to Panama, pursuant to two treaties signed in 1977. The two treaties in part sought to address rising bilateral tensions and anti-American sentiment related to U.S. control of Panamanian territory while maintaining a "regime of neutrality" in canal operations.

Cooperation between the United States and Panama has expanded to address various issues of mutual concern following Panama's return to democracy in 1989. In December of that year, a U.S. invasion to oust Panamanian military dictator General Manuel Antonio Noriega brought an end to roughly 21 years of military rule. Under civilian Panamanian governments since then, U.S.-Panama collaboration has included joint efforts aimed at safeguarding the Panama Canal, combatting drug trafficking and other transnational crime, and addressing northward migration flows to the United States through Panama. The U.S.-Panama Trade Promotion Agreement, a comprehensive free trade agreement (implemented under P.L. 112-43, the United States-Panama Trade Promotion Agreement Implementation Act), entered into force in late 2012 and has facilitated increased trade and investment ties.

Panama has made political and economic progress since 1989. Presidential power has peacefully alternated between center-right and center-left parties eight times since Panama returned to democracy. Current President José Raúl Mulino of the center-right Realizing Goals (*Realizando Metas*) party assumed office in July 2024, after defeating the ruling center-left Democratic Revolutionary Party (*Partido Revolucionario Democrático*) in a May 2024 election. Panama is a top economic performer in Latin America, with the second-highest gross domestic product per capita in Latin America and the Caribbean (an estimated \$19,814 in 2025, according to the International Monetary Fund). Panama's financial sector, dollarized economy, and administration of the Panama Canal make the country an important global trade hub with a predominantly service-based economy.

The second Trump Administration's approach to Panama has focused primarily on issues surrounding the Panama Canal and other security concerns. President Trump has voiced concerns about Panama's administration of the canal and about the influence of the People's Republic of China (PRC, or China) in and around the canal. Enhancing U.S. access to the Panama Canal and limiting purported PRC influence there appears to be a key objective of the Trump Administration's aim "to restore American preeminence in the Western Hemisphere," as articulated in the Administration's 2025 *National Security Strategy*. Trump Administration officials have sought to secure cooperation from Panamanian President José Raúl Mulino's administration in addressing U.S. security concerns about the Panama Canal, as well as on other U.S. foreign policy objectives, including countering drug trafficking and reducing migration flows.

In the 119th Congress, most congressional action related to Panama has centered on shaping the Trump Administration's efforts to address aforementioned U.S. security concerns around the Panama Canal. The 119th Congress may continue to examine the Administration's approach to joint U.S.-Panama efforts to safeguard the Panama Canal and other key areas of bilateral cooperation, including efforts to combat drug trafficking and other transnational crime, manage migration flows, and strengthen commercial ties.

Contents

Introduction	1
Political and Economic Conditions	2
Political Background.....	2
José Raúl Mulino Administration (2024-Present).....	3
Economic Conditions	4
U.S.-Panama Relations.....	5
Panama Canal.....	6
Panama Canal Administration and Infrastructure Issues	9
Canal-Related U.S.-Panama Security Cooperation.....	10
Concerns About China’s Influence in Panama.....	13
Cooperation on Drug Trafficking and Other Security Concerns.....	14
Migration Issues	17
Trade and Investment Ties	19
U.S.-Panama Trade and Investment Flows	20
Foreign Assistance and Other Support	21
Legislative Action and Issues for Congressional Consideration	22
Security Cooperation and Options	22
Trade Issues and Options	23
Migration Cooperation Issues and Options	23

Figures

Figure 1. Map of Panama	3
Figure 2. Map of the Panama Canal	8
Figure 3. Top Three Countries by Origin and Destination of Cargo Transiting the Panama Canal: FY2020-FY2025	9
Figure 4. U.S. Trade with Panama: 2016-2025	20

Contacts

Author Information.....	25
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Introduction

The United States and Panama—a country of roughly 4.6 million people strategically located on the Isthmus of Panama in Central America—generally have maintained close relations since Panama declared its independence in 1903. Close bilateral ties stem in large part from the extensive linkages developed when the Panama Canal was under U.S. control and Panama hosted several U.S. military installations. Tensions intensified related to U.S. control over Panamanian territory in and around the canal, eventually contributing to the 1999 U.S. transfer of the Panama Canal to Panama and the withdrawal of U.S. forces from the country, pursuant to two treaties signed in 1977.

Since the 1989 U.S. invasion to oust military dictator General Manuel Antonio Noriega, bilateral commercial ties and cooperation on issues including transnational crime and migration have expanded under democratic Panamanian civilian governments. During the second Trump Administration, U.S. officials have sought to secure the cooperation of Panamanian President José Raúl Mulino’s administration on several U.S. foreign policy objectives. Such U.S. objectives have included addressing concerns about the influence of the People’s Republic of China (PRC, or China) in and around the Panama Canal; enhancing security ties, in part to ensure the defense of the Panama Canal; and reducing northbound irregular migration flows transiting Panama to the United States.¹

Enhancing U.S. access to the Panama Canal and limiting purported PRC influence there appear to be key objectives of the Trump Administration’s aims “to restore American preeminence in the Western Hemisphere.”² In his second inaugural address, President Trump alleged PRC control of the waterway and indicated that his Administration intended to reclaim the Panama Canal.³ The U.S. Department of Defense (DOD, which is “using a secondary Department of War designation,” under Executive Order 14347, dated September 5, 2025) has emphasized efforts to “guarantee U.S. military and commercial access to key terrain” in the region, including the Panama Canal.⁴ In part to address these concerns, the Trump Administration increased U.S.-Panama security cooperation around the canal (see “Canal-Related U.S.-Panama Security Cooperation,” below) and publicly supported a January 2026 Panamanian supreme court ruling that annulled a Hong Kong-based firm’s concessions to operate two container terminals near the canal (see “Concerns About China’s Influence in Panama,” below).

In the 119th Congress, congressional action related to Panama has centered on shaping the Trump Administration’s actions to address aforementioned U.S. security concerns regarding the Panama Canal. The 119th Congress may continue to examine the Trump Administration’s approach to joint U.S.-Panama efforts to safeguard the Panama Canal and other key issues of bilateral cooperation, including efforts to combat transnational crime, manage irregular migration flows, and strengthen commercial ties.

¹ “Irregular migration” refers to the movement of persons that takes place outside of the laws, regulations, or international agreements governing the entry into or exit from a migrant’s country of origin, transit, or destination. See U.N. International Organization for Migration, *Glossary on Migration*, 2019.

² White House, *National Security Strategy of the United States of America*, November 2025, p. 15.

³ White House, “The Inaugural Address,” January 20, 2025.

⁴ U.S. Department of Defense (DOD), *2026 National Defense Strategy [Unclassified]*, January 23, 2026, p. 16. DOD is “using a secondary Department of War designation,” under Executive Order 14347 of September 5, 2025, “Restoring the United States Department of War,” 90 *Federal Register* 43893, September 10, 2025.

Political and Economic Conditions

Political Background

The Republic of Panama is a centralized constitutional democracy in Central America with a population of more than 4.6 million people.⁵ After several 19th century attempts by residents of the Isthmus of Panama to gain greater autonomy from what is now the Republic of Colombia, Panama achieved independence in 1903 after securing the U.S. support in exchange for broad rights to construct and operate a canal on the isthmus (see “Panama Canal,” below).⁶ The 1972 constitution (most recently amended in 2004), characterizes Panama’s government as unitary, republican, democratic, and representative.⁷ Panama’s territory is divided between 10 provinces, each headed by a governor who is selected by the executive branch, and four Indigenous territories, which exercise a greater level of local autonomy (see **Figure 1**). According to the 2023 census, about 17.2% of the population self-identifies as Indigenous. The most recently formed Indigenous territory, Naso Tjër Di, was created in 2020.⁸

At the national level, power in Panama is divided among the president, a 71-seat unicameral National Assembly (*Asamblea Nacional*), and an independent judiciary. The president is elected to a five-year term and may be reelected for nonconsecutive terms after a period of 10 years (two presidential terms) has elapsed. Members of the National Assembly are also elected for five-year terms and may be reelected indefinitely. The most recent presidential and legislative elections were held in 2024.

After 21 years of military rule, Panama established its current representative democracy in 1989, following a U.S. military intervention that ousted de facto leader General Noriega (1983-1989).⁹ The U.S. operation resulted in Panama’s transition to democratic governance and Noriega’s imprisonment on drug trafficking charges. Among other reforms taken to consolidate its democracy following U.S. military intervention, Panama replaced its military with a civilian security institution in 1990, the Panamanian Public Forces (*Fuerzas Públicas*).¹⁰

Since 1989, presidential power has peacefully alternated between center-right and center-left parties, distinguished more by political personalities than by party platforms.¹¹ No party has held power for consecutive presidential terms. The U.S.-based nongovernmental organization Freedom House’s 2026 *Freedom in the World Report* categorized Panama as “free” based on Panama’s

⁵ Instituto Nacional de Estadística y Censo, *Estimaciones y Proyecciones de la Población*, <https://www.inec.gob.pa/DASHBOARDS/ProyeccionesDemografia/Proyecciones>, accessed June 9, 2026.

⁶ Peter M. Sánchez, *Panama Lost?: U.S. Hegemony, Democracy, and the Canal* (University of Florida Press, 2008).

⁷ Political Constitution of the Republic of Panama, Title I, Panamanian State (*El Estado Panameño*), Article I, available in English at https://constituteproject.org/constitution/Panama_2004.

⁸ Ministerio de Comercio e Industrias, “Información y Datos Estadísticos sobre Panamá,” <https://mici.gob.pa/informacion-y-datos-estadisticos/>; and Asamblea Nacional, “Que Crea la Comarca Naso Tjer Di,” Ley 188, December 4, 2024.

⁹ For more information about the U.S. military intervention in Panama, see United States General Accounting Office (now Government Accountability Office), *Panama: Issues Relating to the U.S. Invasion*, April 1991, <https://www.gao.gov/assets/nsiad-91-174fs.pdf>.

¹⁰ Political constitution of the Republic of Panama, Title XII, Security Forces (*Fuerza Pública*), Articles 310-312.

¹¹ See, for example, Patricia Otero Felipe, “Partidos y Sistemas de Partidos en Panamá: Un Estudio de Estructuración Ideológica y Competencia Partidista,” *Revista Panameña de Política*, No. 1, January – June 2006.

democratic institutions and respect for political rights and civil liberties, while citing corruption and impunity as “serious challenges” for Panama.¹²

Figure 1. Map of Panama



Sources: CRS Visualization, based on data from the U.S. Department of State, Smithsonian Tropical Research Institute GIS Data Portal, and ESRI.

José Raúl Mulino Administration (2024-Present)

President Mulino assumed office on July 1, 2024, after winning a May 2024 presidential election with 34% of the vote.¹³ Mulino—who was backed by a conservative coalition made up of the Realizing Goals (*Realizando Metas*, RM) and Alliance (*Alianza*) parties—succeeded center-left President Laurentino “Nito” Cortizo (2019-2024). Mulino initially was the vice-presidential running mate in the 2024 reelection campaign of former President Ricardo Martinelli (2009-2014). The Supreme Court barred Martinelli’s candidacy after upholding a lower court’s conviction and 10-year prison sentence on money laundering charges.¹⁴ In the National Assembly, Mulino’s coalition controls the second-largest bloc with 17 seats. The opposition Let’s Go (*Vamos*)—a loose coalition of independent lawmakers—controls the largest bloc, with 20 seats.¹⁵

¹² Freedom House, *Freedom in the World 2026*, March 2026. The report assesses political rights and civil liberties in 208 countries and territories and assigns each with a status of “Free,” “Partly Free,” or “Not Free.”

¹³ Eight candidates ran for president, fragmenting the vote. Mulino defeated Ricardo Lombana, the runner-up, by 9.6 percentage points. Tribunal Electoral de Panamá, “Visor de Actas de Proclamación,” May 9, 2024, <https://actasdeproclamacion.te.gob.pa/home#!>. Also see CRS Insight IN12357, *Panama: 2024 Elections and U.S. Interests*, by Leticia Chacon.

¹⁴ Following his conviction, Martinelli had sought refuge since February 2024 in the Nicaraguan embassy, where he was granted political asylum. In May 2025, the Panamanian government granted Martinelli safe passage to Colombia, which also had granted him political asylum. Martinelli reportedly remains in Colombia. *LatinNews Daily*, “Panama: Martinelli Arrives in Colombia Under Political Asylum,” May 12, 2025.

¹⁵ Economist Intelligence Unit (EIU), *One-Click Report: Panama*, May 29, 2026.

Mulino administration priorities have included restructuring the social security system and closing the Darién Gap on Panama's southern border to irregular migration (see "Migration Issues," below).¹⁶ In March 2025, Panama passed a law aimed at improving the social security system's financial solvency. Opponents of this law held protests in some parts of the country, and several unions staged strikes following the reform's promulgation over concerns that it sought to privatize pension and health care provision.¹⁷

From roughly March to June 2025, demonstrations in opposition to the social security reform evolved into nationwide protests and strikes, with several sectors of society also protesting various other Mulino administration policies. In late April 2025, strikes by workers' unions in opposition to the social security reform evolved to include a broader set of issues. Other sectors of society, including university students, environmental activists, and Indigenous rights organizations, began demonstrating over the potential reopening of a copper mine shuttered in 2023, an April 2025 U.S.-Panama security memorandum of understanding (MOU; see "Canal-Related Security Cooperation under the Second Trump Administration," below), and general dissatisfaction with the political class.¹⁸ Protests subsided during summer 2025, in part due to government measures, which included negotiations with some workers' unions and temporary suspensions of some constitutional rights in provinces with high levels of unrest to help restore order. Dissatisfaction with the Panamanian government remains high; in a June 2026 poll, 59% of respondents disapproved of President Mulino's performance, while 36% approved.¹⁹

Economic Conditions

In 2025, Panama recorded the third-largest gross domestic product (GDP) among Central American countries, approximately \$90.5 billion (current prices), according to the International Monetary Fund (IMF). Panama's financial sector, dollarized economy, and administration of the Panama Canal make the country an important global trade hub with a predominantly service-based economy (services accounted for nearly 70% of Panama's GDP in 2024).²⁰ In the 15 years prior to the 2020 COVID-19 pandemic, Panama experienced a construction and trade boom that led to GDP growth averaging 6% annually.²¹ Following the COVID-19 pandemic, Panama's GDP has grown more slowly, at an average annual rate of 4.8% between 2023 and 2025. IMF projected GDP growth of 3.8% in 2026, above the regional average.²² The Economist Intelligence Unit forecasts that resilient private consumption and public infrastructure investment will aide Panama's economy in 2026, despite global trade uncertainty and elevated global energy costs.²³

Since it was handed over by the United States in 1999, the Panama Canal has evolved to become a key driver of Panama's economy. The Panama Canal is one of the most crucial waterways in the

¹⁶ Gladys Gerbaud, "Panama's José Raúl Mulino Marks 100 Days in Office," *Americas Society/Council of the Americas (AS/COA)*, October 8, 2024.

¹⁷ Gobierno Nacional de Panamá, "Presidente Mulino Sanciona Nueva Ley de la CSS," March 18, 2025; and *LatinNews Daily*, "In Brief: Panama Unions Stage Strike," March 24, 2025.

¹⁸ Mat Youkee and Adolfo Berrós Riaño, "Panama's Protests Test President Mulino on Multiple Fronts," *Americas Quarterly*, May 15, 2025.

¹⁹ CB Global Data, "Ranking Presidentes de Latinoamérica," June 2026, p. 15..

²⁰ U.S. Department of State, *2025 Investment Climate Statements: Panama*, September 26, 2025.

²¹ International Monetary Fund (IMF), *Panama: 2022 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Panama*, March 2023, p. 5.

²² IMF, *World Economic Outlook Database*, April 2026, accessed May 16, 2026.

²³ Economist Intelligence Unit, *One-Click Report: Panama*, May 29, 2026.

Western Hemisphere, transporting 3% of global maritime trade.²⁴ In FY2025, the canal’s revenue increased by 14.4% from the previous year to about \$5.7 billion, equal to roughly 6% of Panama’s GDP.²⁵ According to the Inter-American Development Bank, between 2006 and 2016, the canal led to an accumulated increase of \$47 billion in private investment in Panama and \$87 billion in GDP.²⁶ The largest port on the Atlantic side of the canal, the Colón Free Trade Zone, is the largest free trade zone in the Western Hemisphere (**Figure 2**).²⁷ Strategic economic assets, including the canal, have helped Panama achieve the second-highest GDP per capita in Latin America at an estimated \$19,814 in 2025.²⁸ According to a UN regional commission, however, Panama recorded the second-highest levels of income inequality in Latin America and the Caribbean in 2024.²⁹ Income disparities are pronounced between relatively richer provinces located near the canal and less-developed rural and Indigenous provinces.³⁰

U.S.-Panama Relations

The United States and Panama generally have maintained close relations since 1903, when the two countries established diplomatic ties after Panama proclaimed its independence from Colombia. Historically, close U.S.-Panama bilateral relations stem in part from the extensive linkages developed when the Panama Canal was under U.S. control and Panama hosted major U.S. military installations (see “Panama Canal,” below). U.S.-Panama relations arguably reached a nadir under the leadership of de facto Panamanian leader General Noriega, resulting in a disruption to diplomatic relations and a U.S. military intervention that led to Noriega’s ouster in 1989 (see **text box**, “U.S. Military Intervention in Panama,” below). Since Panama’s return to democracy, successive U.S. Administrations have sought to work with Panamanian civilian governments to foster economic growth and strong democratic institutions, deepen bilateral commercial and investment ties, and address potential threats to U.S. interests—particularly those related to the security of the Panama Canal, migration, and drug trafficking.

U.S. Military Intervention in Panama (1989-1990)

On December 20, 1989, U.S. forces militarily intervened in Panama (known as Operation Just Cause) to depose military general and de facto political leader Manuel Noriega (1983-1989). In a televised address the day of the invasion, then-President George H. W. Bush stated four U.S. objectives of the intervention: (1) protect American lives, (2) restore democracy in Panama, (3) combat drug trafficking, and (4) protect the integrity of the Panama Canal Treaty. Hours prior to the intervention, U.S. officials facilitated the swearing in of President Guillermo Endara (1989-1994)—whose electoral victory in May 1989 elections had been annulled—to lead a civilian government to replace the Noriega regime.

Operation Just Cause was the culmination of a U.S. pressure campaign in response to repressive and undemocratic actions taken by the Noriega regime, evidence of Noriega’s involvement in drug trafficking, and the harassment of U.S. citizens in Panama. U.S. pressure on the Noriega regime included the imposition of economic sanctions beginning in 1987 and two 1988 indictments against Noriega and some high-level officials on charges

²⁴ Panama Canal Authority (ACP), *Annual Report 2025*, March 2026, p. 13.

²⁵ The ACP contributed nearly \$3.0 billion to Panama’s National Treasury in FY2025. ACP, *Annual Report 2025*, March 2026.

²⁶ Alessandro Maffioli and Patricia Yañez-Pagans, “Unleashing Certainty: The Catalytic Effects of the Panama Canal Expansion,” Inter-American Development Bank, November 9, 2018.

²⁷ U.S. Department of Commerce, International Trade Administration, “Panama Special Economic Zones,” March 23, 2021.

²⁸ IMF, World Economic Outlook Database, April 2026, accessed May 20, 2026.

²⁹ Inequality data from Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, accessed June 9, 2026.

³⁰ Mai Hakamada, *Regional Income Disparities in Panama*, IMF Selected Issues Paper, September 2025, p. 2.

related to drug trafficking. In December 1989, an incident in which a Panamanian soldier shot several American officers, killing a U.S. Marine, further inflamed tensions.

In early January 1990, with democracy restored in Panama and Noriega' arrested and preparing to face trial in the United States on drug charges, President Bush announced that the objectives of the U.S. intervention had been achieved. Twenty-three U.S. soldiers and three U.S. civilians had been killed; on the Panamanian side, some 200 civilians and 300 Panamanian troops were killed.

Members of Congress were generally supportive of Operation Just Cause. In February 1990, the House approved, by a vote of 389 to 26, a resolution (H.Con.Res. 262) stating the President acted appropriately to intervene in Panama after substantial efforts to resolve the crisis by political, economic, and diplomatic means. Prior to the resolution's passage, some Members spoke in opposition to the measure on the House floor and questioned whether the operation had violated the U.S. Constitution and international law, in part because the President did not seek prior approval from Congress.

Sources: President George H. Bush, "Address to the Nation Announcing United States Military Action in Panama," American Presidency Project, December 20, 1989, <https://www.presidency.ucsb.edu/documents/address-the-nation-announcing-united-states-military-action-panama>; Ronald H. Cole, *Operation Just Cause: The Planning and Execution of Joint Operations in Panama*, Joint History Office, Office of the Chairman of the Joint Chiefs of Staff, 1995; United States General Accounting Office (now Government Accountability Office), *Panama: Issues Relating to the U.S. Invasion*, April 1991; and House debate, *Congressional Record*, vol. 136, part 27 (February 7, 1990), pp. 1507- 1515..

The second Trump Administration's approach to Panama has focused primarily on issues surrounding the Panama Canal and other security concerns. President Trump has voiced concerns about Panama's administration of the Panama Canal and has expressed an interest in the United States "taking it back," seemingly for both U.S. national security and economic reasons (see "Canal-Related U.S.-Panama Security Cooperation," below).³¹ In 2025, U.S. Secretary of State Marco Rubio, U.S. Secretary of Defense Pete Hegseth, and other high-level officials visited Panama to discuss U.S.-Panama cooperation on security, migration, and U.S. interests related to the Panama Canal.³² Panama also has participated in U.S.-led multilateral initiatives focused on countering drug trafficking, among other goals (see "Cooperation on Drug Trafficking and Other Security Concerns.")

Panama Canal

The Panama Canal (**Figure 2**) is a key part of the U.S.-Panama bilateral relationship. In 1903, the United States and Panama signed the Hay-Bunau-Varilla Treaty of 1903 in which the United States guaranteed to maintain Panama's nascent independence from Colombia and Panama granted permanent rights for the United States related to the canal. In particular, the treaty granted the United States the right to control "as if it were sovereign" a 10-mile-wide zone across the country (the Panama Canal Zone) for the purpose of building, maintaining, operating, and protecting an interoceanic canal. The approximately 50-mile-long Panama Canal ultimately opened in 1914.³³ In 1964, anti-American riots fueled by Panamanian civil discontent with the

³¹ White House, "Remarks by President Trump in Joint Address to Congress," March 6, 2025.

³² See, for example, DOD, "Statement on Secretary Hegseth's Visit to Panama by Pentagon Chief Spokesman Sean Parnell," April 9, 2025; U.S. Southern Command (SOUTHCOM) Public Affairs, "SOUTHCOM Commander Visits Panama," February 20, 2025; and U.S. Department of State, "Secretary Rubio's Meeting with Panamanian President Mulino," February 2, 2025.

³³ The United States had explored options for building such a canal throughout the 1800s and ultimately signed a treaty with Colombia in 1903 to build a canal through what was then Colombia's province of Panama. After the Colombian congress rejected the financial terms of that treaty, President Theodore Roosevelt dispatched U.S. warships in support of Panamanian secession. Office of the Historian, "The Panama Canal and the Torrijos-Carter Treaties," accessed January 20, 2025; *Convention on the Construction of a Ship Canal (Hay-Bunau-Varilla Treaty)*, November 18, 1903, https://avalon.law.yale.edu/20th_century/pan001.asp.

situation in the Panama Canal Zone resulted in a brief break in diplomatic relations and spurred the United States and Panama to begin negotiations for a new agreement on the Panama Canal. U.S. policymakers over successive Administrations had voiced concern that anti-American sentiment over the canal could make it vulnerable to attack.³⁴ Over several rounds of negotiations, the Administrations of President Jimmy Carter and de facto Panamanian leader General Omar Torrijos (1968-1981) developed what became known as the Torrijos-Carter Treaties. Signed in 1977, the treaties consisted of

- the Panama Canal Treaty, which provided for the 1999 U.S. handover of the canal and its operations to Panama, and
- the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal (hereinafter, the Neutrality Treaty), which set out the rights and obligations of the United States and Panama to permanently maintain a “regime of neutrality” in canal operations.³⁵

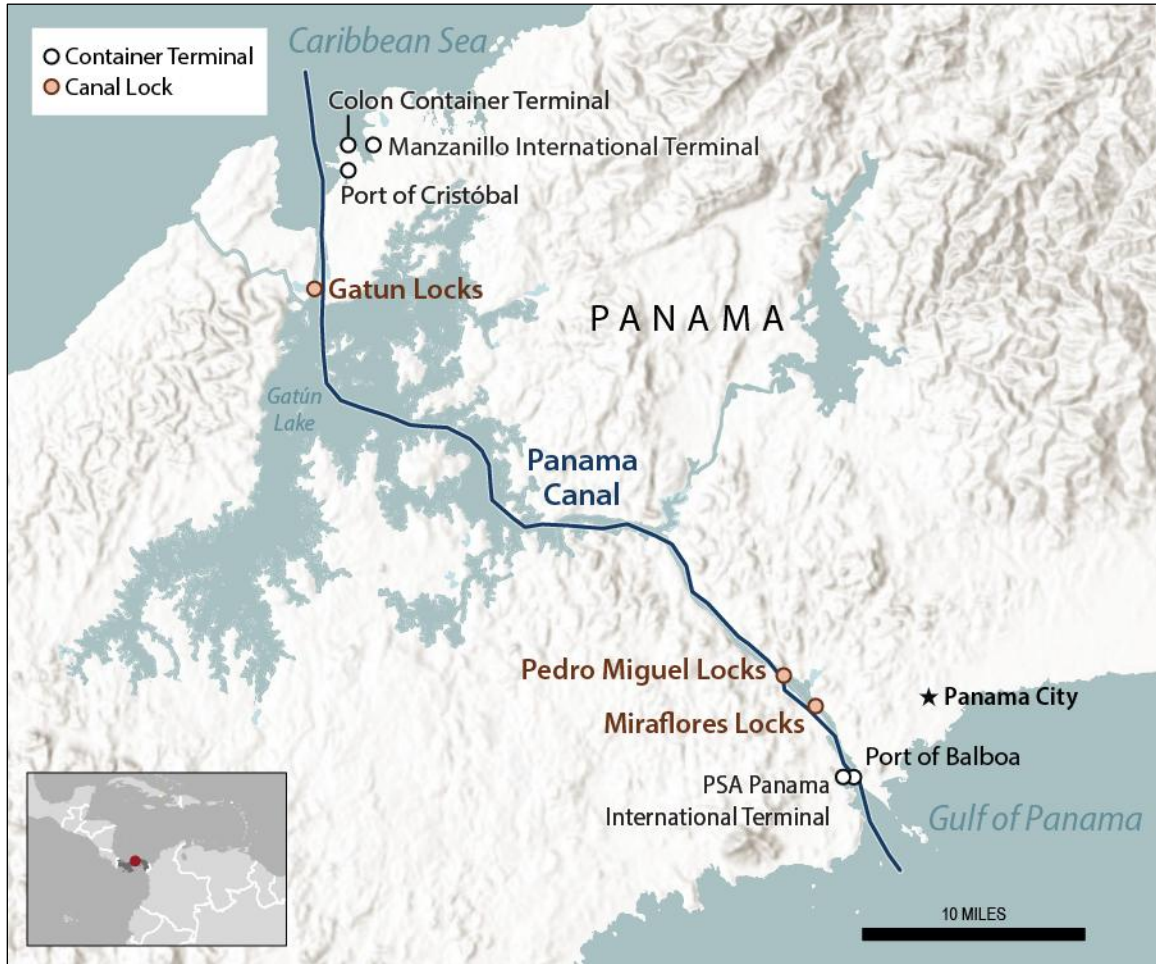
The Senate gave its advice and consent to ratify the treaties in 1978, and the treaties entered into force on October 1, 1979.³⁶

³⁴ See Peter Kornbluh, ed., “The Panama Canal Treaty Declassified,” National Security Archive, February 3, 2025; and Javier Corrales and James Loxton, “Why the U.S. Should Not Take Back the Panama Canal,” *Americas Quarterly*, January 23, 2025.

³⁵ While there is no clear definition of the “regime of neutrality,” the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal (hereinafter, the Neutrality Treaty) delineates the rights and responsibilities of both Parties to keep the Panama Canal neutral. For the text of both the Panama Canal Treaty and the Neutrality Treaty, see U.S. Department of State Archive, *Panama Canal Treaty of 1977*, <https://2001-2009.state.gov/p/wha/rlnks/11936.htm>.

³⁶ Office of the Historian, “The Panama Canal and the Torrijos-Carter Treaties.”

Figure 2. Map of the Panama Canal
(with canal locks and selected container terminals)



Sources: U.S. Department of State; Lloyd’s Register Fairplay, “Ports & Terminals Guide,” 2023/2024; Georgia Tech Panama Logistics Innovation and Research Center, “Portal Logístico de Panamá,” <https://logistics.gatech.pa/>; and ESRI.

Notes: The location of the Panama Canal transit route (blue line) and canal locks are approximate.

On the Caribbean side of the canal, SSA Marine MIT-Panama, S.A. (a subsidiary of U.S.-based Carrix Inc.) operates the Manzanillo International Terminal and Colon Container Terminal, S.A. (a subsidiary of Taiwan-based Evergreen Group) operates the Colon Container Terminal.

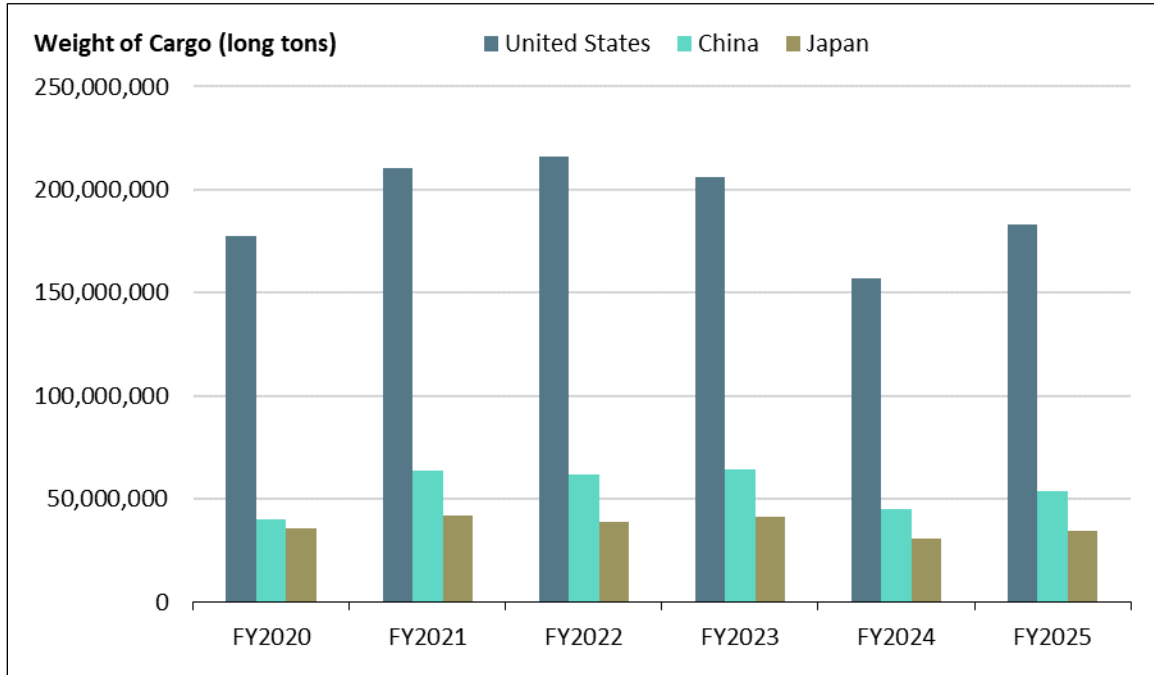
On the Gulf of Panama (i.e., Pacific Ocean) side of the canal, PSA Panama, S.A. (a subsidiary of Singapore-based PSA International Group) operates the PSA Panama International Terminal. In February 2026, Panamanian officials announced that TIL Panamá (owned by Switzerland-based Mediterranean Shipping Company) would operate the Port of Cristóbal and APM Terminals (a Netherlands-based subsidiary of Danish shipping company Maersk) would operate the Port of Balboa following the nullification of concessions that had been granted to Panama Ports Company, S.A. (a subsidiary of Hong Kong-based CK Hutchison.)

Today, U.S. trade dominates Panama Canal traffic. In FY2025, nearly 70% of the cargo (by weight) shipped through the canal originated in or was destined for the United States.³⁷ About

³⁷ ACP, “Statistics: Top 15 Countries by Origin and Destination of Cargo, FY2025,” 2025.

40% of all U.S. container traffic, with an estimated value of \$270 billion, reportedly travels through the Panama Canal annually.³⁸

Figure 3. Top Three Countries by Origin and Destination of Cargo Transiting the Panama Canal: FY2020-FY2025



Sources: Created by the Congressional Research Service with data from Panama Canal Authority annual reports for each of FY2020-FY2025, <https://pancanal.com/en/maritime-services/annual-report/>.

Notes: Fiscal years run from October to September (i.e., FY2025 runs from October 2024 to September 2025). The data exclude intercoastal trade flows to avoid double counting cargo.

Panama Canal Administration and Infrastructure Issues

The Panama Canal Authority (ACP)—an independent Panamanian government agency administered by an 11-member board of directors—has been the administrator of the Panama Canal since the 1999 U.S. handover. From 2007 to 2016, the ACP oversaw a \$5.2 billion expansion project, which deepened and widened parts of the canal and increased the water levels of the Gatún Lake to increase the canal’s capacity and accommodate the passage of larger vessels.³⁹ The expansion also prioritized water efficiency, which remains a concern of the ACP. In response to low water levels brought on by a severe drought in 2023, the ACP restricted the number of vessels—as well as the number of each type of ship—that could pass each day through the canal and raised transit fees. The ACP reported there were “no draft restrictions and more

³⁸ Clare Jim et al., “Explainer: What We Know in Panama Court Ruling as CK Hutchison Launches Arbitration,” Reuters, February 2, 2026; and Federal Maritime Commission, “Statement of Chairman Louis E. Sola to the Senate Committee on Commerce, Science, and Transportation—Fees and Foreign Influence: Examining the Panama Canal and Its Impact on U.S. Trade and National Security,” January 28, 2025.

³⁹ The artificial Gatún Lake, created as part of the Panama Canal’s original construction, provides the water necessary for the canal’s operation. Gladys Gerbaud, “25 Years Since the Transfer of the Panama Canal,” AS/COA, December 24, 2024.

predictable operating conditions were restored” in FY2025.⁴⁰ This situation may have contributed to President Trump’s assertion in his second inaugural address that U.S. ships are “severely overcharged” for use of the Panama Canal.⁴¹ According to the Neutrality Treaty, all vessels of all nations are subject to the same conditions and charges for transiting the canal (with the exception of U.S. and Panamanian warships, as discussed below).⁴²

In September 2025, the ACP presented a 10-year road map aimed at enhancing the Panama Canal’s long-term competitiveness and sustainability, including more than \$8.0 billion in planned infrastructure investments over the next decade.⁴³ Planned investments include the following:

- A proposed \$1.6 billion project, which aims to ensure sufficient water levels by damming the Indio River to create a reservoir. The Panamanian government has held discussions with local residents in opposition to the project who would be required to relocate.⁴⁴
- A 76-kilometer (47.2-mile) pipeline along the Panama Canal to transport liquefied petroleum gas (LPG), reportedly valued between \$4 and \$8 billion.⁴⁵ In September 2025, ACP authorities conducted an initial market engagement event with 23 energy firms to identify potential partners for the project. The U.S. Department of Commerce’s International Trade Administration asserts that the pipeline could facilitate increased U.S. exports of propane, butane, and ethane to markets in Asia.⁴⁶
- Two new port container terminals on either side of the canal: Port Corozal on the Pacific and Port Telfers on the Atlantic. In October 2025, ACP officials began to identify potential partners to develop the terminals, which are reportedly valued at \$2.6 billion in total.

In March 2026, an ACP official reportedly stated that the ACP plans to award the contracts for the LPG pipeline and both new container terminals in June 2027.⁴⁷

Canal-Related U.S.-Panama Security Cooperation

The United States has cooperated with Panama to secure the Panama Canal since its transfer to Panamanian control in 1999. The United States operated numerous military installations in Panama until turning them over to the Panamanian government as part of the 1999 handover of the canal. Today, several sites of former U.S. military installations are used by the Panamanian Public Forces or have been converted for civilian use.⁴⁸ U.S. Southern Command (SOUTHCOM),

⁴⁰ ACP, “Advisory to Shipping No. A-48-2023,” October 30, 2023; and ACP, *Annual Report 2025*, March 2026, p. 53. “Draft” refers to the submerged depth of a ship. For more information, see Bureau of Transportation Statistics, “Vessel Draft Restrictions on the Panama Canal by Locks: February 2022-August 2024,” <http://bts.gov/browse-statistical-products-and-data/info-gallery/vessel-draft-restrictions-panama-canal-locks>.

⁴¹ White House, “The Inaugural Address,” January 20, 2025.

⁴² Neutrality Treaty, Article II.

⁴³ ACP, “Panama Canal Drives a Decade of Transformation to Ensure Sustainability,” September 16, 2025.

⁴⁴ *Economist*, “Panamanian Farmers Versus Global Shipping—and Donald Trump,” July 29, 2025.

⁴⁵ Participating firms included those from the United States, Japan, and Europe. ACP, “Panama Canal Engages Market for Development of a Natural Gas Pipeline,” September 18, 2025; Reuters, “Panama to Award New Port and Gas Pipeline Projects by June 2027,” March 12, 2026.

⁴⁶ U.S. International Trade Administration, “Panama Canal Fueling Growth,” August 29, 2025.

⁴⁷ Reuters, “Panama to Award New Port and Gas Pipeline Projects by June 2027,” March 12, 2026.

⁴⁸ For example, Panamanian Public Forces’ Vasco Núñez de Balboa Naval base and seaport container terminal PSA Panama International Terminal are located on the site of former U.S. base Rodman Naval Station.

the U.S. military combatant command responsible for protection of the canal, was headquartered in the Panama Canal Zone until its relocation to Miami, FL, in 1997.⁴⁹

In its *2026 National Defense Strategy*, DOD identifies the Panama Canal as “key terrain” for which it will “guarantee U.S. military and commercial access.”⁵⁰ Secretary Hegseth has stated that nearly 100 U.S. military vessels transit the canal every year.⁵¹ The National Aeronaval Service (SENAN), a branch of the Panamanian Public Forces, oversees the Panama Canal’s security. SENAN has collaborated with the U.S. Armed Forces to maintain the canal’s security, including through joint training exercises (also see **text box**, “Canal-Related Bilateral and Multilateral Security Exercises,” below).⁵² The Neutrality Treaty entitles U.S. and Panamanian warships and auxiliary vessels to “transit the Canal expeditiously,” including head-of-line rights for such vessels “in case of need or emergency,” determined by the “nation operating such vessel.”⁵³

Canal-Related Bilateral and Multinational Security Exercises

Panama is a founding participant in a U.S. Southern Command (SOUTHCOM)-sponsored biennial, multinational security exercise, PANAMAX, which aims to reinforce the long-term security of the Panama Canal and the Western Hemisphere. First conducted in 2003, the exercise aims to improve multinational forces’ readiness to respond to a range of potential threats to the canal and “develop and test capabilities to respond as a unified force to a variety of mission demands across the air, land, maritime, space, cyber, and information domains.” PANAMAX is SOUTHCOM’s “largest coalition command post exercise,” with participation from more than 1,500 U.S. forces and 500 participants from 18 partner countries in 2024, the last year in which PANAMAX was conducted.

U.S. and Panamanian forces also participate in bilateral security exercises that, among other goals, seek to improve readiness to jointly protect the Panama Canal. Since 2007, for example, U.S. and Panamanian forces have conducted bilateral PANAMAX-Alpha exercises designed to jointly train forces to respond to various security concerns, including defense of the Panama Canal.

Sources: SOUTHCOM, “PANAMAX-Alpha 2025: U.S. Southern Command Leads Bilateral Exercise to Protect Panama Canal,” August 8, 2025; U.S. Army, Center for Army Lessons Learned, *PANAMAX 24 (Operation Futuro Noble)*, No. 25-1035, June 2025; and SOUTHCOM, “Exercise PANAMAX 2024: US Army South Hosts 11 Nations for Major Multinational Exercise,” August 13, 2024.

Several high-level Trump Administration officials have engaged the Panamanian government and the ACP to eliminate Panama Canal transit fees for U.S. warships and auxiliary vessels. Secretary Rubio visited the canal during his February 2025 visit to Panama and met with the ACP, which indicated its “intention to work with the U.S. Navy to optimize transit priority of U.S. Navy vessels through the Panama Canal.”⁵⁴ During Secretary Hegseth’s April 2025 visit to Panama, Secretary Hegseth, President Mulino, and the ACP administrator announced that the United States and Panama had agreed to develop a framework “to compensate” for transit fees for U.S. warships and related vessels; a related ACP statement asserted that the two countries had agreed

⁴⁹ U.S. Southern Command, “History,” <https://www.southcom.mil/About/History/>, accessed December 31, 2025. For more information on U.S. Southern Command, see CRS In Focus IF13067, *Defense Primer: U.S. Southern Command (SOUTHCOM)*, by Joshua Klein and Hannah D. Dennis.

⁵⁰ DOD, *2026 National Defense Strategy [Unclassified]*, January 23, 2026, p. 3.

⁵¹ DOD, “Remarks by Secretary of Defense Pete Hegseth at the Pier Dedication at Vasco Nuñez de Balboa Naval Base,” April 8, 2025.

⁵² Panama has not had a standing military since 1990. Instead, the Panamanian Public Forces operate under Panama’s Ministry of Public Security. Sgt. 1st Class Zach Sheely, “Hokanson: Panama a Global Crossroads, Key Security Cooperation Partner,” U.S. Army, September 19, 2023; Servicio Nacional Aeronaval, “Funciones,” accessed March 17, 2026.

⁵³ Neutrality Treaty, Article VI.

⁵⁴ ACP, “Administrator of the Panama Canal Welcomes the U.S. Secretary of State, Marco Rubio,” February 2, 2025.

to establish a mechanism to make such transit fees “cost neutral” by taking into account U.S. security assistance contributions.⁵⁵ In a June 2025 congressional hearing, Secretary Hegseth stated that such a framework had been “achieved.”⁵⁶

Canal-Related Security Cooperation under the Second Trump Administration

During Secretary Hegseth’s April 2025 visit, the United States and Panama also signed an MOU aimed at enhancing defense and security cooperation. Secretary Hegseth stated the MOU would allow both countries’ forces to reestablish “rotational and joint presence” at areas around the canal that had hosted U.S. military installations prior to the canal’s 1999 transfer to Panama.⁵⁷ The MOU, published in Spanish by the Panamanian government, establishes a framework to temporarily deploy an unspecified number of U.S. personnel to three Panama-controlled facilities, including the sites of some former U.S. military installations, for training, exercises, and other activities.⁵⁸ In his March 2026 posture statement, SOUTHCOM Commander General Francis Donovan stated that the U.S. Army Corps of Engineers was “facilitating” the construction of a multiuse facility at Aeronaval Base Cristóbal Colón, “which will support future PANAMAX exercises and facilitate U.S. presence on the Caribbean side of the Panama Canal.”⁵⁹

Opposition to the MOU reflecting concern about Panamanian sovereignty, among other issues, contributed to the aforementioned countrywide protests and strikes in 2025.⁶⁰ In April 2025, more than 40 civil society representatives and political opposition leaders signed a statement calling on the Panamanian government to reject the MOU and two other agreements with the United States, arguing the agreements were unconstitutional and harmful to Panamanian sovereignty.⁶¹ Two opposition politicians who signed the statement, including former president Martín Torrijos (2004-2009), claimed that the U.S. State Department revoked their U.S. travel visas in retaliation.⁶² A Panamanian civil society group also filed a case with Panama’s Supreme Court, alleging that the MOU was unconstitutional, although the current status of the case is unclear.⁶³

⁵⁵ Canal de Panamá (@canaldepanama), “Comunicado,” April 9, 2025, <https://x.com/canaldepanama/status/1910120747680358667>; and DOD, “Joint Statement Between President Mulino, Panama Canal Authority Administrator, and Secretary of Defense Pete Hegseth Following April 8, 2025, Bilateral Meeting,” April 8, 2025.

⁵⁶ Testimony of Secretary of Defense Pete Hegseth in U.S. Congress, “Oversight Hearing: The Department of Defense,” House Appropriations Subcommittee on Defense, 119th Cong., 1st sess. June 10, 2025.

⁵⁷ The Neutrality Treaty prohibited foreign military installations in Panama, requiring the withdrawal of U.S. military personnel. DOD, “Defense Secretary Pete Hegseth Conducts Joint Press Engagement with Panamanian Public Security Minister Frank Abrego in Panama City,” April 9, 2025.

⁵⁸ Ministerio de Relaciones Exteriores de Panamá, “Memorando de Entendimiento entre el Ministerio de Seguridad de la República de Panamá y el Departamento de Defensa de los Estados Unidos de América,” April 10, 2025. Annex A of the agreement identifies three authorized locations for U.S. personnel: Panamá Pacífico International Airport/Teniente Octavio Rodríguez Air Base, Vasco Núñez de Balboa Naval Base/Capitán de Fragata DEM. Noel A. Rodríguez J Naval Base, and Cristóbal Colón Naval Air Base.

⁵⁹ SOUTHCOM, Statement of General Francis L. Donovan, U.S. Marine Corps, Commander, United States Southern Command in U.S. Congress, House Armed Services Committee, March 17, 2026.

⁶⁰ *LatinNews Daily*, “Panama: Mulino Stands Firm as Protests Continue,” May 9, 2025.

⁶¹ Comisión Nacional Pro Valores Cívicos y Morales de los Clubes Cívicos, “Declaración de Unidad Nacional y Defensa a la Soberanía,” April 30, 2025, <https://otrocamin.org/wp-content/uploads/2025/05/Doc-Unidad-Nacional-Apr-30-2025.pdf>.

⁶² Frances Robles, “U.S. Revokes Visa of Panama’s Former President Who Criticized Trump Deal,” *New York Times*, June 17, 2025.

⁶³ The lawsuit reportedly argues, inter alia, that the agreement violates a constitutional provision that requires international agreements involving the Panama Canal be approved by Panama’s legislature and submitted to a national referendum. EIU, “Panama Supreme Court to Rule on U.S. Security Agreement,” May 5, 2025.

Panamanian officials have asserted that the MOU does not cede Panamanian sovereignty and reiterated that Panama will not accept foreign military bases on its territory.⁶⁴

Concerns About China's Influence in Panama

In his second inaugural address, President Trump asserted that his Administration intended to reclaim the Panama Canal on national security grounds, alleging that the PRC had control over the waterway.⁶⁵ During his February 2025 visit, Secretary Rubio communicated the Trump Administration's concerns to Mulino about the PRC's purported "influence and control" over the Panama Canal, describing it as a threat to the canal and a possible Neutrality Treaty violation.⁶⁶

President Trump's assertions appear to be based primarily on a 25-year concession granted in 1997 (renewed in 2021) for Panama Ports Company (PPC), S.A., a subsidiary of the Hong Kong-based CK Hutchison Holdings, Ltd., to manage and operate the Balboa and Cristóbal ports located at either end of the canal. On the same day as President Trump's address, Panama's Comptroller General announced an audit of PPC.⁶⁷ The Comptroller General then launched a legal complaint, resulting in a January 2026 Panamanian Supreme Court ruling that annulled PPC's concession.⁶⁸ In February 2026, Panama's Maritime Authority assumed control of the ports and the government announced that TIL Panamá SA, owned by Switzerland-based Mediterranean Shipping Company and APM Terminals, owned by Denmark-based shipping company Maersk, would assume operations at Cristóbal and Balboa, respectively, for 18 months to allow time for the government to rebid the concession.⁶⁹ The United States and six Latin American countries released a joint statement commending the decision.⁷⁰

Following the January 2026 court ruling, CK Hutchison launched international arbitration proceedings against Panama; the PRC government reportedly criticized the ruling and warned the Panamanian government of "heavy prices" to pay.⁷¹ The PRC government appears to have moved to increase pressure on Panamanian officials. In early March 2026, PRC state-owned firm COSCO Shipping—among the world's top five cargo carriers—reportedly announced it would suspend cargo services at Balboa. PRC maritime authorities detained an increased number of Panama-flagged vessels at PRC ports;⁷² Panama maintains one of the world's most widely used ship registries.⁷³ In April 2026, the United States issued two statements (one of which was

⁶⁴ See, for example, Ministerio de Seguridad Pública, "Panamá Reafirma su Soberanía Sobre el Canal y Fortalece Cooperación en Seguridad," April 10, 2025. José Agustín Del Mar, "Mulino Reacciona Contra EEUU: 'Bases Militares Extranjeras Son Inaceptables'," *Eco TV*, April 10, 2025.

⁶⁵ White House, "The Inaugural Address," January 20, 2025.

⁶⁶ U.S. Department of State, "Secretary Rubio's Meeting with Panamanian President Mulino," February 2, 2025.

⁶⁷ Contraloría General de la República de Panamá, "La Contraloría General Inicia Auditoría Financiera y de Cumplimiento en Panama Ports Company," January 20, 2025.

⁶⁸ República de Panamá, Órgano Judicial, Corte Suprema de Justicia – Pleno, "Fallo de la Corte N° S/N (jueves 29 de enero 2026)," *Gaceta Oficial*, N° 30468, February 23, 2026.

⁶⁹ República de Panamá, Consejo de Gabinete, "Resolución de Gabinete N°5-26" and "Resolución de Gabinete N°6-26," *Gaceta Oficial*, N° 30468, February 23, 2026.

⁷⁰ U.S. Department of State, "Nations Support Panamanian Rule of Law," January 31, 2026.

⁷¹ CK Hutchison had been in negotiations to sell 43 ports, including Balboa and Cristóbal, to a consortium including U.S.-based asset management firm BlackRock, but the deal stalled amid PRC and Panamanian government regulatory processes. Clare Jim et al., "Explainer: What We Know in Panama Court Ruling as CK Hutchison Launches Arbitration," Reuters, February 2, 2026.

⁷² Federal Maritime Commission, "Statement of Chairman DiBella on China's Detention of Panama-Flagged Vessels," March 26, 2026.

⁷³ Cichen Shen, "Panama-Flagged Detentions at Chinese Ports Spike amid Hutchison Port Fallout," *Lloyd's List*, March (continued...)

released jointly with five other Western Hemisphere countries) criticizing PRC actions affecting Panama-flagged vessels and expressing support for Panama's sovereignty.⁷⁴

The Mulino administration has sought to address some additional U.S. concerns related to PRC influence in Panama. During Secretary Rubio's February 2025 visit, the Panamanian government announced its intention to withdraw from the PRC's Belt and Road Initiative—which aims to develop China-centered global infrastructure, trade, and production networks.⁷⁵ PRC state-owned companies continue to construct some public infrastructure projects, including an ongoing \$1.4 billion concession to construct a fourth bridge over the Panama Canal, originally awarded to China Construction Communication Company in 2018.⁷⁶ At the same time, President Mulino has sought to distance his administration from broader strategic competition between the United States and the PRC. In June 2025, for example, after a U.S. embassy announcement that the United States was working with Panama's Ministry of Public Security to replace PRC-origin Huawei telecommunications equipment in Panama, President Mulino called on the U.S. embassy to abstain from making public statements on Panamanian government decisions. Mulino also urged the U.S. embassy to respect that Panama is not involved in the United States' "bilateral conflict" with China.⁷⁷

Cooperation on Drug Trafficking and Other Security Concerns

The United States and Panama have long-standing security ties, stemming in part from the joint responsibility to safeguard the Panama Canal (see "Canal-Related U.S.-Panama Security Cooperation.") Since the abolition of Panama's military in 1994, U.S. agencies have worked with the Panamanian Public Forces, including the National Police, the National Border Service (SENAFRONT), and SENAN. U.S. security cooperation activities have focused on building the capacity of Panama's security forces to conduct maritime and border security operations and counter illicit drug trafficking and other transnational organized criminal activity, among other goals.

U.S. and Panamanian officials have held seven, typically annual, High-Level Security Dialogues focused on joint border, citizen, cyber, and maritime security efforts. The most recent dialogue took place in February 2024. In an April 2025 joint statement, Secretary Hegseth, President Mulino, and the ACP Administrator stated that the two countries would "reinvigorat[e] the High-

13, 2026; and Reuters, "China's COSCO Shipping Suspends Operations at Panama's Balboa Port, La Prensa Says," March 10, 2026.

⁷⁴ U.S. Department of State, "Support for Panama's Sovereignty," April 2, 2026; and "Joint Statement in Support of Panama's Sovereignty Between the United States of America, Bolivia, Costa Rica, Guyana, Paraguay, and Trinidad and Tobago," April 28, 2026.

⁷⁵ Panama had been the first country in Latin America to join the Belt and Road Initiative in 2017. Gobierno Nacional de Panamá, "Panamá y Estados Unidos Logran Avances en Temas Comerciales y Migratorios," February 2, 2025. For more information, see, CRS In Focus IF11735, *China's "One Belt, One Road" Initiative: Economic Issues*, by Karen M. Sutter and Michael D. Sutherland.

⁷⁶ U.S. Department of State, *Report to Congress on Iranian and PRC Influence in Panama*, November 20, 2025.

⁷⁷ Panama's Ministry of Public Security issued a statement clarifying that the agreement with the United States to replace certain telecommunications equipment in Panama originated in 2017 and is ongoing. U.S. Embassy in Panama, "U.S. Embassy and Ministry of Security Build Telecommunications Towers and Install Secure Technology," June 11, 2025; and President José Raúl Mulino, "Conferencia del Presidente de Panamá, José Raúl Mulino: 12 de Junio de 2025," *TVN Noticias*, June 12, 2025.

Level Security Dialogue toward achieving a robust agenda of bilateral planning and preparedness that prioritizes Canal security and defense.”⁷⁸

In January 2026, the U.S. Army created the Army Security Cooperation Group–South (ASCG-S, formerly Security Force Assistance Brigade)—a unit responsible for Joint Security Cooperation Group–Panama (JSCG-P).⁷⁹ JSCG-P seeks to increase cooperation efforts between the U.S. military and the Panamanian security forces and to “improve warfighting readiness and interoperability,” in part through joint training exercises.⁸⁰ ASCG-S also coordinates a jungle warfare training course for U.S. and Panamanian forces at Base Aeronaval Cristóbal Colón (the site of former U.S. Army base Fort Sherman). The course was reestablished in August 2025 after having been discontinued in 1999 when Fort Sherman was turned over to Panamanian forces.⁸¹

The United States previously trained Western Hemisphere partner country security forces in Panama. From 1946 to 1984, for example, U.S. forces provided military training to partner nation security forces through the School of the Americas military educational institution based in the Panama Canal Zone, before it was relocated to Fort Benning, Georgia.⁸² The School of the Americas drew concerns from some human rights groups during the Cold War after some military personnel who had received U.S. training were implicated in human rights abuses in their own countries.⁸³

Panama also has participated in U.S.-led multilateral initiatives. In March 2026, President Mulino traveled to Florida to attend the Shield of the Americas Summit, a meeting of heads of government from 12 Latin American and Caribbean countries. According to the State Department, the coalition aims to “advance strategies that stop foreign interference in our hemisphere, criminal and narco-terrorist gangs and cartels, and illegal and mass immigration.”⁸⁴ Days earlier, Panama was one of 16 Latin American and Caribbean countries to participate in the U.S.-led Americas Counter Cartels Coalition—described by President Trump as a “military partnership” aimed at advancing security cooperation.⁸⁵ The United States, Panama, and 15 other Western Hemisphere countries signed a joint security declaration stating their intent to expand multilateral and bilateral cooperation to enhance regional security, including by “join[ing] a coalition to combat narco-terrorism and other shared threats in the Western Hemisphere.”⁸⁶

⁷⁸ DOD, “Joint Statement Between President Mulino, Panama Canal Authority Administrator, and Secretary of Defense Pete Hegseth Following April 8th, 2025 Bilateral Meeting,” April 8, 2025; and U.S. Embassy in Panama, “7th High-Level Security Dialogue Between Panama and the United States Joint Statement,” February 2, 2024.

⁷⁹ Maj. Val Bryant, “Army Security Cooperation Group-South: First of Its Kind Stands Up in Georgia,” U.S. Army, January 27, 2026.

⁸⁰ SOUTHCOM, Statement of General Francis L. Donovan, United States Southern Command Before the 119th Congress, House Armed Services Committee, March 17, 2026.

⁸¹ Spc. Richard Morgan, “U.S. and Panamanian Forces Kick Off Jungle Operations Training Course,” SOUTHCOM, February 6, 2026; and Brett J. Kyle et al., “The Evolution of State Security Forces in Latin America: From Caudillos to Cold Warriors,” in *State Violence and Democracy in Latin America: Rethinking Political Violence*, (Palgrave Macmillan, 2026).

⁸² In 2000, Congress passed legislation (P.L. 106-398) eliminating the School of the Americas and transitioning it to a successor institution, the Western Hemisphere Institute for Security Cooperation. P.L. 106-398 also implemented additional reforms for the institute, including the establishment of a board of visitors to review the institute’s curricula and instruction and mandatory inclusion of training on human rights, the rule of law, due process, civilian control of the military, and the role of the military in a democratic society.

⁸³ See, for example, Bill Quigley, “The Case for Closing the School of the Americas,” *Brigham Young University Journal of Public Law*, vol. 20, iss. 1, no. 2 (2005).

⁸⁴ U.S. Department of State, “The United States to Host the Shield of the Americas Summit,” March 6, 2026.

⁸⁵ *Roll Call*, “Speech: Donald Trump Addresses the Shield of the Americas Summit in Doral, Florida,” March 7, 2026.

⁸⁶ DOD, “Americas Counter Cartel Conference Joint Security Declaration,” March 5, 2026.

Cooperation to Combat Drug Trafficking

Policymakers in successive U.S. Administrations have worked with the Panamanian government to combat drug trafficking and other transnational organized crime. Panama is a major transit country for illicit drugs from South America to the U.S. market, in part due to its geographic location and its large maritime industry and containerized seaports. According to the State Department's 2025 *International Narcotics Control Strategy Report* (INCSR), up to 40% of north-bound cocaine produced in Colombia passes through Panama's exclusive economic zone.⁸⁷

The 2025 INCSR describes Panama as a "highly capable partner committed to limiting the transit of illegal drugs." In September 2025, Panama's public security minister announced an initiative to dismantle criminal networks that use containers transiting through Panamanian waters to traffic illicit drugs.⁸⁸ In a November 2025 operation supported by U.S. Drug Enforcement Administration intelligence sharing, SENAN authorities seized a record 13.5 tons of cocaine after interdicting a tugboat in Panamanian waters.⁸⁹

Other U.S. counternarcotics cooperation with Panama includes joint efforts to interdict illicit drug shipments, joint trainings, and equipment transfers. A 2002 maritime law enforcement agreement that, among other provisions, authorizes a law enforcement official of one party to embark on a law enforcement vessel or aircraft of the other party, facilitates bilateral collaboration on maritime drug interdiction efforts.⁹⁰ To combat public corruption, which facilitates illicit drug flows, U.S. authorities have funded trainings for "over 1,900 judges, prosecutors, journalists, and members of civil society" on topics that include judicial reform, trial procedures, and investigatory techniques, according to the 2025 INCSR.⁹¹ U.S. agencies also have provided equipment to improve Panama forces' capacity, including for counternarcotics and border security operations. Between 2023 and 2025, for example, SOUTHCOM provided more than \$3 million in equipment transfers to SENAFRONT to enhance border patrol vehicle maintenance, field communications, and riverine interdiction under 10 U.S.C. §333, which authorizes DOD to build the capacity of partner security forces.⁹² The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) also has provided equipment to Panamanian security forces, including two maritime interceptor boats delivered to SENAN in April 2026 to strengthen coastal patrols and illicit drug interdiction efforts.⁹³

⁸⁷ U.S. Department of State, *International Narcotics Strategy Report*, "Volume 1: Drug and Chemical Control," March 2025, pp. 289-292 (hereinafter, INCSR, "Drug and Chemical Control," March 2025). Article 57 of the United Nations Convention on the Law of the Sea (UNCLOS) defines the breadth of an exclusive economic zone as up to 200 nautical miles seaward from the shoreline.

⁸⁸ Ministerio de Seguridad Pública, "Panamá Cerrará el Cerco Contra el Narcotráfico en sus Puertos," September 2, 2025.

⁸⁹ Servicio Nacional Aeronaval, "¡Histórico! La Aeronaval Incauta 13.5 Toneladas de Droga Incautación Record de Sustancia Ilícita," November 11, 2025; and U.S. Embassy in Panama, "U.S. Embassy Congratulates Panamanian Authorities on Historic Maritime Cocaine Seizure," November 13, 2025.

⁹⁰ INCSR, "Drug and Chemical Control," March 2025; and Supplementary Arrangement Between the Government of the United States of America and the Government of the Republic of Panama to the Arrangement Between the Government of the United States of America and the Government of Panama for Support and Assistance from the United States Coast Guard for the National Maritime Service of the Ministry of Government and Justice (T.I.A.S. 02-205.1), signed February 5, 2002.

⁹¹ INCSR, "Drug and Chemical Control," March 2025.

⁹² SOUTHCOM, "U.S. Invests More Than \$3 Million to Strengthen Panama's Border Security and Regional Cooperation," August 12, 2025.

⁹³ U.S. Embassy Panama, "United States Provides Interceptor Boats to SENAN to Strengthen Panama's Counternarcotics Operations," April 30, 2026.

Cooperation to Counter Money Laundering

The U.S. State Department’s 2025 INCSR describes Panama as “particularly exposed to foreign money laundering threats,” in part due to factors that contribute to Panama’s status as a regional commercial and financial hub, including a dollarized economy, open financial sector, and the availability of corporate services.⁹⁴ According to the INCSR, Panama has established anti-money laundering (AML) laws and has adopted several reforms to address its AML deficiencies, although a “lack of structural capacity to identify laundered funds, inconsistent enforcement of laws and regulations, corruption, and an under-resourced judicial system hinder” Panama’s AML efforts. The State Department also maintained that Panama’s “limited institutional capacity,” including staff shortages, hindered the Panamanian government’s ability to investigate financial support to terrorist-related organizations.⁹⁵ In 2023, the Financial Action Task Force (FATF)—an intergovernmental standard-setting body on AML and combating the financing of terrorism (AML/CFT)—removed the Panamanian government from its list of jurisdictions subject to increased monitoring (known as the *grey list*) after Panama improved its AML/CFT regime in line with an action plan agreed to with FATF in 2019.⁹⁶

The United States has sought to support Panama’s AML/CFT activities. In 2020, the two countries signed an MOU to establish the U.S.-Panama Anti-Money Laundering and Anti-Corruption (AML/AC) Task Force, consisting of Panamanian prosecutors, law enforcement, and regulatory officials trained and advised by the U.S. Federal Bureau of Investigation (FBI).⁹⁷ The AML/AC Task Force has contributed to a significant increase in the number of non-drug-related money laundering investigations since its establishment in 2021.⁹⁸ In 2024, several U.S. agencies, including the INL, FBI, and U.S. Department of Homeland Security’s Homeland Security Investigations, engaged in anti-money laundering training and outreach with Panamanian interlocutors.⁹⁹

Migration Issues

Panama has been a key U.S. partner on migration issues given its position as a transit country for U.S.-bound migration. From roughly 2021 to 2025, Panama saw large-scale northward migration through the Darién Gap, a stretch of dense rainforest along the border of Colombia and Panama, raising humanitarian and security concerns in the broader region. Such migration flows through the Darién Gap peaked in 2023, with more than 520,000 crossings, before decreasing by nearly 42% in 2024. In 2025, authorities recorded 3,091 crossings, a 99% year-on-year decrease.¹⁰⁰ President Mulino and Panamanian authorities have credited the overall decrease in crossings of

⁹⁴ Unless otherwise noted, this paragraph draws from U.S. Department of State, *International Narcotics Control Strategy Report*, “Volume 2: Money Laundering,” March 2025, pp. 223-226 (hereinafter INCSR, “Money Laundering,” March 2025).

⁹⁵ U.S. Department of State, *Country Reports on Terrorism: Panama*, May 1, 2026.

⁹⁶ Financial Action Task Force, “Jurisdictions under Increased Monitoring,” October 27, 2023.

⁹⁷ U.S. Embassy in Panama, “U.S.-Panama Task Force to Combat Money Laundering and Corruption,” August 15, 2020.

⁹⁸ INCSR, “Money Laundering,” March 2025.

⁹⁹ INCSR, “Money Laundering,” March 2025.

¹⁰⁰ Servicio Nacional de Migración, “Tránsito Irregular de Extranjeros por la Frontera con Colombia por Región Según Orden de Importancia: Año 2025,” updated December 31, 2025; “Tránsito Irregular de Extranjeros por la Frontera con Colombia por Región Según Orden de Importancia: Año 2024,” updated December 31, 2024; and “Tránsito Irregular de Extranjeros por la Frontera con Colombia por Región Según Orden de Importancia: Año 2023,” updated December 31, 2024.

irregular migrants in part to stricter security measures implemented by the Mulino administration, including the closure of five identified migration paths in the Darién Gap.¹⁰¹

The U.S. government has collaborated with Panamanian authorities to manage migration flows and detain migrants that could be potential security threats. For example, the Department of Homeland Security (DHS) has supported Panama's use of the DHS Biometric Identification Transnational Migration Alert Program, or BITMAP—a program which trains and equips partner country law enforcement entities to collect biometric data from migrants with the goal of providing data on migration trends and intelligence to Panamanian security officers and DHS.¹⁰² In July 2024, the United States and Panama signed an MOU on migration issues whereby the Biden Administration committed to fund repatriation for irregular migrants in Panama.¹⁰³

During Secretary Rubio's February 2025 visit, U.S. and Panamanian authorities agreed to expand the 2024 MOU to include third-country migrants deported from the United States, which facilitated the transfer of nearly 300 third-country migrants from the United States to Panama later that month.¹⁰⁴ During then-DHS Secretary Kristi Noem's June 2025 visit to Panama, the Trump Administration extended the MOU "with an additional \$7.15 million in funding through 2027," according to an October 2025 press release from the U.S. Embassy in Panama.¹⁰⁵ The press release also stated that the U.S. government had committed approximately \$14 million in funding and had donated vehicles worth more than \$850,000 under the MOU. According to DHS, the MOU facilitated the deportations from Panama of 2,044 migrants to 23 countries between August 2024 and June 2025.¹⁰⁶

In mid-February, the United States transferred 299 third-country migrants of different nationalities to Panama. Human rights advocates and immigration lawyers questioned the legality of the deportations, as well as the conditions and treatment of the deportees during their time in Panama.¹⁰⁷ By June 2025, the majority of migrants had been repatriated to their home countries. Panamanian officials reportedly issued six-month humanitarian permits for 49 migrants remaining in Panama, who were reportedly being housed in shelters and hotels by nongovernmental humanitarian organizations while they assessed third-country settlement options.¹⁰⁸

¹⁰¹ Ministerio de Seguridad Pública, "Cierre de Trochas en Darién Reduce el Flujo Migratorio en un 93%," January 24, 2025; and Gobierno Nacional de Panamá, "Informe a la Nación del Excelentísimo Señor José Raúl Mulino, Presidente de la República de Panamá," January 2, 2026.

¹⁰² U.S. Department of State, *Country Reports on Terrorism 2023: Panama*, December 2024; U.S. Department of Homeland Security (DHS), Homeland Security Investigations, "Biometric Identification Transnational Migration Alert Program," last updated February 20, 2026. According to the U.S. Department of State's *Country Reports on Terrorism 2024: Panama* report, published on May 1, 2026, Panama "had the highest number of enrollments in and identification of [known or suspected terrorists] globally," according to BITMAP data.

¹⁰³ DHS, "United States Signs Arrangement with Panama to Implement Removal Flight Program," July 1, 2024.

¹⁰⁴ Ministerio de Seguridad Pública, "Panamá y Estados Unidos Ampliarán Memorándum de Entendimiento para Repatriación y Deportación de Migrantes Irregulares," February 2, 2025.

¹⁰⁵ U.S. Embassy in Panama, "U.S. Embassy Donates Fleet Vehicles to Panama's National Migration Service," October 30, 2025.

¹⁰⁶ DHS, "Secretary Kristi Noem Observes Repatriation Flight of Criminal Illegal Aliens in Panama," June 24, 2025.

¹⁰⁷ See, for example, Human Rights First, "Unlawful Deportations of Asylum Seekers to Panama, Costa Rica, and Elsewhere Must Stop," February 21, 2025.

¹⁰⁸ *SwissInfo*, "Migrantes Deportados por EE.UU. a Panamá Reciben Extensión de Permiso Humanitario," June 7, 2025.

Trade and Investment Ties

The United States and Panama are parties to the U.S.-Panama Trade Promotion Agreement (implemented under P.L. 112-43), a comprehensive free trade agreement (FTA) that entered into force on October 31, 2012. According to the Office of the U.S. Trade Representative, the FTA eliminated duties on 87% of U.S. consumer and industrial exports and nearly 56% of U.S. agricultural exports to Panama, with “most remaining tariffs phased out over 15 years.”¹⁰⁹ Some agricultural tariffs are to be phased out by January 2031.¹¹⁰ From early April 2025 to late February 2026, President Trump imposed a minimum tariff of 10% on U.S. imports (including those from Panama, notwithstanding the FTA) via an executive order that declared a national emergency over a purported “lack of reciprocity” in bilateral trade relationships. A late February 2026 Supreme Court ruling held that International Emergency Economic Powers Act (the authority on which the tariffs were based) did not give the President authority to impose tariffs; following this ruling, President Trump imposed a 10% “temporary import surcharge” on most goods from all trading partners, including Panama, under Section 122 of the Trade Act of 1974 (19 U.S.C. §2132).¹¹¹ In May 2026, a panel on the U.S. International Court of Trade found that President Trump could not legally impose the Section 122 tariff on most imports.¹¹²

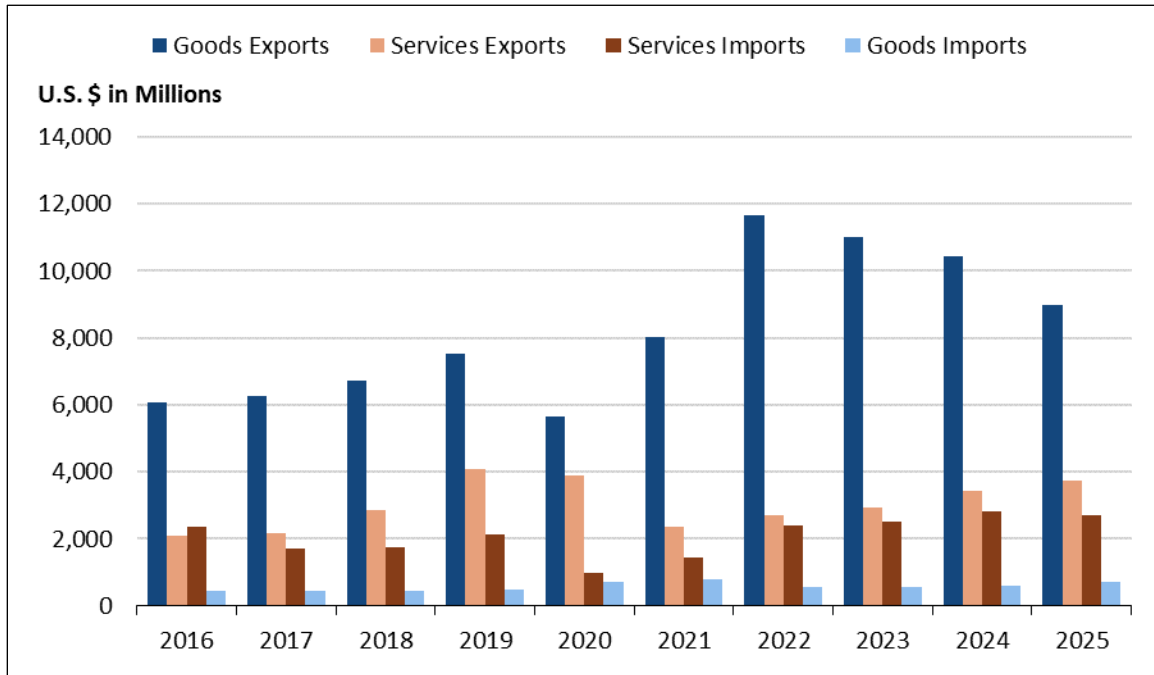
¹⁰⁹ Office of the United States Trade Representative, “U.S.-Panama Trade Promotion Agreement,” <https://ustr.gov/trade-agreements/free-trade-agreements/panama-tpa>.

¹¹⁰ International Trade Administration, “Panama Country Commercial Guide: Trade Agreements,” March 27, 2026.

¹¹¹ President Donald Trump, “Imposing a Temporary Import Surcharge to Address Fundamental International Payments Problems,” 91 *Federal Register* 9339, February 20, 2026; and *Learning Resources, Inc. v. Trump*, No. 24-1287, slip op. at 20 (U.S. Feb. 20, 2026). For more information, see CRS Legal Sidebar LSB11398, *Supreme Court Rules Against Tariffs Imposed Under the International Emergency Economic Powers Act (IEEPA)*, by Christopher T. Zirpoli.

¹¹² United States Court of International Trade, *The State of Oregon, et al., v. United States, et al.*, Court No. 26-01472-3JP, May 7, 2026.

Figure 4. U.S. Trade with Panama: 2016-2025



Source: CRS presentation of data from U.S. Bureau of Economic Analysis, “Panama—International Trade and Investment Country Facts,” March 25, 2026.

U.S.-Panama Trade and Investment Flows

According to the U.S. Bureau of Economic Analysis (BEA), total U.S. goods and services trade (imports plus exports) with Panama totaled roughly \$16.1 billion in 2025, down from a record high of \$17.3 billion in 2022.¹¹³ U.S. goods exports to Panama in 2025 totaled nearly \$9.0 billion while U.S. goods imports totaled \$0.7 billion, resulting in an \$8.3 billion U.S. goods trade surplus. According to U.S. Census Bureau data, top U.S. goods exports include mineral fuels and civilian aircraft (including parts) and top U.S. goods imports from Panama include fish and sugar.¹¹⁴ According to Panamanian statistics, the United States was the top destination for Panamanian goods exports in 2025.¹¹⁵ That year, the United States also ran a \$1.0 billion services trade surplus with Panama, with U.S. services exports of \$3.7 billion and U.S. services imports of \$2.7 billion. Top sectors for U.S. service exports to Panama included transport, financial services, and other business services. More than 50% of the value of U.S. service imports from Panama were in the transport sector, with the travel and other business services sectors accounting for smaller shares.

The U.S. Department of State describes Panama’s investment climate as “generally favorable,” in part due to the country’s strategic geographic position, strong economic growth, and dollarized economy.¹¹⁶ Although the Panamanian government encourages foreign direct investment (FDI)

¹¹³ Unless otherwise noted, this paragraph draws from U.S. Bureau of Economic Analysis, “Panama—International Trade and Investment Country Facts,” <https://apps.bea.gov/international/factsheet/factsheet.html#215>.

¹¹⁴ U.S. Census Bureau data, as reported by *Trade Data Monitor*, accessed May 8, 2026.

¹¹⁵ Instituto Nacional de Estadística y Censo, “Exportaciones por Países,” <https://www.inec.gob.pa/DASHBOARDS/Comercio/ExportacionesPorPaíses>.

¹¹⁶ Unless otherwise noted, this paragraph draws from U.S. Department of State, *2025 Investment Climate Statements: Panama*, September 26, 2025.

and “Panama consistently ranks among Central America’s top recipients of FDI,” Panama limits foreign ownership in the retail, maritime, and media sectors. According to the BEA, U.S. FDI stock in Panama totaled about \$5.1 billion at the end of 2024 (last year available).¹¹⁷ At the end of 2024, the United States held the largest FDI position in Panama, followed by Colombia, Barbados, and Switzerland, according to preliminary statistics from the Panamanian government.¹¹⁸

Foreign Assistance and Other Support

The United States has provided foreign assistance to Panama across numerous sectors, including migration, counternarcotics, and health services.¹¹⁹ In FY2024 (latest year for which comprehensive data are available), U.S. agencies obligated a total of \$72.7 million in assistance to Panama, about 86% of which was managed by the State Department. This assistance included \$41.5 million in International Narcotics Control and Law Enforcement (INCLE) aid; \$8.0 million in Economic Support Fund assistance, primarily for migration management; \$8.0 million in Migration and Refugee Assistance; \$5.2 million for the Peace Corps; \$4.2 million in Global Health Programs support focused on HIV/AIDS, including through the U.S. President’s Emergency Plan for AIDS Relief; and \$3.6 million in Foreign Military Financing (FMF).

The U.S. State Department has not publicly released information on the status of U.S. foreign aid programs in Panama following the Trump Administration’s 2025 suspension and review of most U.S. foreign assistance, dismantling of the U.S. Agency for International Development, reorganization of the State Department, and two rounds of foreign aid rescissions. During his February 2025 visit to Panama, Secretary Rubio stated that he had issued waivers to allow continued U.S. support for some programs—including migrant deportation operations—in Panama during the Administration’s foreign assistance review.¹²⁰

In February 2026, the Trump Administration negotiated a three-year bilateral health MOU with the Panamanian government that aims to reorient the provision of U.S. health aid to Panama. The MOU is part of the Administration’s America First Global Health Strategy, which, according to a State Department fact sheet, aims to “build on decades of global health investment by fully transitioning U.S. technical assistance and other key functions, including financial responsibility, to countries currently receiving U.S. health assistance.”¹²¹ The State Department stated that it plans to work with Congress to invest up to \$22.5 million over the next three years to address HIV/AIDS and strengthen the Panamanian health system’s infectious disease surveillance capabilities, while the Panamanian government has committed to increasing domestic health spending by more than \$11 million.¹²²

¹¹⁷ U.S. Bureau of Economic Analysis, “Panama—International Trade and Investment Country Facts,” <https://apps.bea.gov/international/factsheet/factsheet.html#215>.

¹¹⁸ Instituto Nacional de Estadística y Censo, *Posición, Flujo y Renta de la Inversión Extranjera Directa en la República Según Sector, País de Origen y Actividad Económica*, Años 2022-2024, p. 5.

¹¹⁹ This paragraph draws from CRS analysis of Department of State data, ForeignAssistance.gov database, accessed June 10, 2026.

¹²⁰ U.S. Secretary of State Marco Rubio, “Secretary Marco Rubio and Panamanian Minister of Public Security Frank Abrego at a Charter Repatriation Flight Event,” February 3, 2025.

¹²¹ U.S. Department of State, “America First Global Health Strategy—Bilateral Agreements on Global Health Cooperation,” December 4, 2025.

¹²² U.S. Department of State, “Strengthening Western Hemisphere Health Security Through the America First Global Health Strategy in Panama,” February 25, 2026; and U.S. Embassy in Panama, “The United States and Panama Sign Landmark Bilateral ‘America First Global Health Strategy’ Memorandum of Understanding,” February 25, 2026.

In the National Security, Department of State, and Related Programs Appropriations Act, 2026 (P.L. 119-75, Division F), Congress did not set bilateral foreign assistance levels for Panama. Section 7045(b) directs that an unspecified amount of bilateral economic assistance and international security assistance be made available for countries in Central America, including Panama, for programs that aim to combat corruption and reduce violence against women and girls, among other goals. Section 7064 of the act directs that not less than \$15 million appropriated in the act under National Security Investment Programs (NSIP) shall be made available for a “strategic support mission fund” for targeted activities in several countries, including Panama. Section 7019(a) of the act and the accompanying explanatory statement designate \$2 million in FMF for Panama. Section 7034(i)(4)(B)(i) authorizes funds appropriated under NSIP to be used for loan guarantees for Panama and Costa Rica. Panama also generally receives U.S. assistance through the Central American Regional Security Initiative (CARSI)—a U.S. regional security program initiated in FY2008 to assist Central American countries reduce drug trafficking and improve citizen security; Congress allocated \$170 million in INCLE for CARSI in FY2026 in the explanatory statement accompanying P.L. 119-75.

Legislative Action and Issues for Congressional Consideration

In the 119th Congress, most legislative action involving Panama has sought to shape U.S. efforts to address its security concerns around the Panama Canal, amid President Trump and U.S. officials’ assertions that the Administration seeks to “take back” the canal.¹²³ In January 2025, the Senate Commerce, Science, and Transportation Committee held a full committee hearing on the importance of the Panama Canal to U.S. trade and national security.¹²⁴ Members also have discussed U.S. security concerns related to the canal in several other hearings, including a February 2025 House Homeland Security subcommittee hearing on China’s port investments in the Western Hemisphere.¹²⁵ Several Members have introduced resolutions (H.Res. 232/ S.Res. 31, S.Res. 54) affirming the Panama Canal’s importance, expressing concern about PRC influence around the canal, and urging the United States to take action to ensure the canal’s neutrality. Some Members of Congress have introduced legislation to authorize the President to negotiate with Panama to reacquire the canal (H.R. 283). Some Members have introduced legislation (H.R. 1936) that would prohibit funding for U.S. military activities to invade or seize territory in Panama in the absence of congressional authorization or a national emergency created by an attack or imminent threat of attack on the United States.

Security Cooperation and Options

Congress may continue to monitor U.S. efforts to address concerns related to the Panama Canal as it considers whether and how to support, modify, or limit the Administration’s approach. For example, Congress could use its oversight prerogatives to assess the current state of U.S. national security concerns in and around the Panama Canal and U.S. efforts to address those concerns.

¹²³ See, for example, White House, “Remarks by President Trump in Joint Address to Congress,” March 6, 2025; and Testimony of Secretary of Defense Pete Hegseth in U.S. Congress, June 10, 2025.

¹²⁴ U.S. Congress, Senate Committee on Commerce, Science, and Transportation, *Examining the Panama Canal and Its Impact on U.S. Trade and National Security*, 119th Cong., 1st Sess., January 28, 2025.

¹²⁵ U.S. Congress, House Committee on Homeland Security, Subcommittee on Transportation and Maritime Security, *Examining the PRC’s Strategic Investments in the Western Hemisphere and the Implications for Homeland Security, Part I*, 119th Congress, 1st Sess., February 11, 2025.

Such an assessment could focus on specific topics, including PRC influence following the termination of PPC's port concessions in early 2026 and bilateral efforts to address cybersecurity vulnerabilities following the February 2025 signing of an agreement between SOUTHCOM and the ACP to strengthen cybersecurity cooperation.¹²⁶ Congress could also assess the status and relative effectiveness of bilateral defense and security cooperation to safeguard the Panama Canal following the April 2025 security MOU as it considers whether and at what levels to allocate U.S. funds for those efforts through legislation. Relatedly, Congress could assess whether and what type of rotational U.S. military presence in Panama may be needed to limit the influence of extra-hemispheric powers and achieve other security objectives. More broadly, Congress could consider whether to enact legislation that would authorize, prohibit, or otherwise shape potential military action in Panama if the Trump Administration were to seek greater control over the Panama Canal through use of the U.S. Armed Forces.

Trade Issues and Options

Congress may examine shifts in U.S. trade policy with Panama while considering congressional and executive authorities over foreign trade agreements and assess whether to address U.S. tariff policy with Panama through legislation. Congress has constitutional authority over U.S. trade policy through its enumerated power to levy tariffs and regulate foreign commerce, although it has delegated some of that authority to the executive branch.¹²⁷ Congress also could set negotiating objectives for any discussions with the Panamanian government regarding an updated trade agreement.

Migration Cooperation Issues and Options

During the 119th Congress, some Members have sought to shape the Trump Administration's efforts to partner with Panama on migration issues. S.Res. 354, which, if adopted, would request that the U.S. Secretary of State submit a statement regarding Panama's human rights practices to the Senate Foreign Relations Committee and the House Committee on Foreign Affairs, pursuant to Section 502B(c) of the Foreign Assistance Act of 1961 (22 U.S.C. 2304(c)). The statement should include "all available credible information concerning alleged violations of internationally recognized human rights by the Government of Panama," including those related to "people who are not citizens of Panama but have been removed to Panama by the United States Government." Pursuant to 502B(c), if the statement is not provided within 30 days, the resolution prohibits the executive branch from providing certain types of security assistance "except as may thereafter be specifically authorized by law from such country unless and until such statement is transmitted."

Congress also may consider legislation and appropriations to shape the Trump Administration's migration policies while overseeing existing migration management efforts in Panama. For example, Congress may consider the Trump Administration's request for \$4 billion through the International Humanitarian Assistance account to provide humanitarian assistance to refugees and migrants globally, fund voluntary returns, incentivize governments to implement safe third country agreements, and build other countries' migration management capacities, among other activities, as it completes action on the FY2027 appropriations process. Congress also may conduct oversight of the executive branch's approach to migration policy in Panama, including its

¹²⁶ SOUTHCOM, "SOUTHCOM Commander Visits Panama," February 20, 2025.

¹²⁷ CRS Report R47679, *Congressional and Executive Authority Over Foreign Trade Agreements*, by Christopher T. Zirpoli.

adherence to international human rights standards and overall effectiveness. To this end, Congress could seek additional information on migration cooperation with Panama by directing inspectors

general at the U.S. Department of State, Homeland Security, or other relevant agencies, including the Government Accountability Office, to conduct investigations.

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