



Photo by [Miguel Bruna](#) on [Unsplash](#)

Panama: Cautious Optimism as a New President Takes the Helm

Written by
John Feeley

At a moment when the world is watching Venezuelans struggle to recover their democracy and many nations across the Americas are witnessing creeping or outright authoritarianism, there is one good news story that stands out: Panama.

The presidential campaign that ended with the May 5th election was marked by the disqualification of the leading candidate and mutual recriminations of corruption among the seven candidates who appeared on the ballot. However, the eventual winner of the race, Jose Raul Mulino, is universally recognized as a non-corrupt, albeit controversial, politician.

The high irony, of course, is that for several months he was the vice-presidential running mate of Panama's populist and kleptocratic politician, former president Ricardo Martinelli. Martinelli's disqualification, owing to a Supreme Court decision that ratified an earlier money laundering conviction, paved the way for the decidedly non-populist Mulino to head the ticket and win the race with just 34% of the votes - not exactly an auspicious beginning.

However, just one month after taking office on July 1st, Mulino has quickly established himself as a strong executive and a committed democrat in the Western Hemisphere.

Among his first actions as president-elect was a series of speeches and public statements indicating that he understood clearly that he had only received 1/3 of Panamanians' votes, but that he would nonetheless serve as president of and for all Panamanians. This non-polarizing message of unity was well received and comforting for an electorate that had been subjected to the rantings of Ricardo Martinelli.

In short order, Mulino began to assemble an exceptional technocratic cabinet, placing respected economist Felipe Chapman at the helm of the finance ministry. This move immediately calmed the capital markets and credit agencies which will be essential for Panama's future borrowing to deal with its worrisome public debt. Likewise, his nomination of Jose Ramon Icaza as Minister of the Panama Canal (NB: distinct from the Administrator of Canal operations) and infrastructure resources, reassured the Panamanian business community and potential foreign investors that the Mulino government intends to be a professional and transparent steward of large investments to improve Panama's physical and digital connectivity.



The Mulino government's signature of a migrant repatriation agreement with the United States on the very day of the presidential inauguration communicated the new administration's seriousness of purpose to address the humanitarian disaster and security threat that uncontrolled migration through the Darien Gap represents for Central America, Mexico, and the United States.

Finally, Foreign Minister Javier Acha's recent visit to Washington to participate in a regional convocation of APEP* countries offered the opportunity to establish an early relationship with Secretary of State Antony Blinken, as well as other cabinet and senior officials at the Department of Homeland Security,

the Department of Defense, and the National Security Council.

Taken together, these developments of the first month of the Mulino government represent a whirlwind change of attitude compared to the previous Panamanian government, which struggled to advance its agenda and message effectively inside and outside of Panama. President Mulino's vigorous, no-nonsense demeanor compared to the previous President's ailing and frail persona, also offers a stark change in the country's mental leadership portrait.

Taken together, these developments of the first month of the Mulino government represent a whirlwind change of attitude compared to the previous Panamanian government, which struggled to advance its agenda and message effectively inside and outside of Panama. President Mulino's vigorous, no-nonsense demeanor compared to the previous President's ailing and frail persona, also offers a stark change in the country's mental leadership portrait.

This is all to the good, as Panama confronts serious challenges.

Long the darling of free traders and businessmen, Panama's economy grew at an average clip of 5.9% from 2011 to 2019. However, a combination of COVID, public sector corruption, and reputational damage wrought by various financial scandals such as the Panama Papers and the indictments of two former leaders in the Odebrecht corruption trials, took the shine off the Panamanian economy. Following pandemic contractions and a 2023 recovery, the IMF now predicts just 2.5% growth for 2024.



Compounding this anemic economic growth is a crisis in Panama's Social Security system, which is currently underfunded, has seen fewer formal sector workers joining it, and has long suffered from poor internal administration and accusations of corruption.

Panama has a water problem unlike any other. Roughly 6% of all global maritime trade flows through the Panama Canal, a toll route that shaves weeks off steaming times for ships from East Asian manufacturers headed to markets in the United States and throughout the Americas. The Panama Canal is a national jewel and has been managed professionally and apolitically since its transfer from U.S. control to the Panamanian Canal Authority in 1999. In 2023, Canal operations alone contributed \$US2.5bn to Panamanian state coffers, after accounting for operational and maintenance costs.

But the Canal is running out of water.

Since its opening in 1914, the fresh rainwater used to operate the gravity locks has come from the man-made Lake Gatun. With climate change and shifting rainfall patterns, a second reservoir is now urgently needed. This will be a massive infrastructure undertaking and various plans abound. Transparency will be paramount in the bidding, contracting, and construction of this project. It also is possible that it could become the scene of a U.S.-China competition. How Mulino handles this essential, yet complex and delicate task could very well color the legacy of his 5-year term of office.

Additionally, the new government must figure out what to do with “la mina” – the copper mine in Donoso at the center of the 2023 social protests that brought the country to a standstill and resulted in a Supreme Court invalidation of the renegotiated contract between the Cortizo government and the Canadian mine operator.

While alleged environmental damage by the operator and the stealth manner in which the Cortizo government rammed the new contract through the Assembly were the proximate reasons for the protests, most analysts agree that the mine was simply the straw that broke the camel’s back of discontent with the Cortizo government in general.



Poor economic performance, an increasing wealth gap, increasing public insecurity, and persistent headlines concerning organized crime’s penetration of the unicameral assembly all led to a general distrust of government and frustration with the national government.

In a knee-jerk reaction to calm the streets, President Cortizo declared a moratorium on all mining in the country and shuttered the mine to placate protestors, leaving it to the Mulino government to clean up the mess. A March 2024 IMF report tallied the anticipated damage from this decision.

As a result of the closing of the mine, GDP growth is projected to decline to 2.5 percent in 2024, before gradually improving over the medium term. The slowdown is not expected to be broad-based



but reflects the closing of Minera, which contributed, directly and indirectly, about 5 percent of Panama's GDP. The closing of the mine also entails the permanent loss of about 0.6 percent of GDP in fiscal revenues and 7.5 percent of exports of goods and services.

The mine employed roughly 4000 individuals directly, feeding tens of thousands of Panamanians by family implication. Moreover, the copper extracted from the mine is essential for a transition to a global green economy. Several mine investors and operators have started arbitration proceedings for over \$US20bn, but President Mulino has wisely signaled his government disposition to negotiate.

As of this writing, Mulino was the first regional president to break relations with Venezuela, because of the fraudulent election held on July 28th. This decision demonstrates that, even as

confronts difficult tasks on the home front, he remains focused on the interrelated nature of hemispheric democracy, good governance, and outward migration, much of which traipses through his national territory.

While no one is predicting smooth sailing, for now, most Panamanians and the hemispheric community of democracies appear pleased with President Mulino's launch.

*APEP – The Americas Partnership for Economic Prosperity is a Biden Administration initiative that seeks to tackle economic inequality, foster regional economic integration and good jobs, and restore faith in democracy by delivering for working people across participating nations in the Western Hemisphere.

John Feeley is a former career diplomat and US Ambassador to Panama and the Current Executive Director of the Center for Media Integrity of the Americas.