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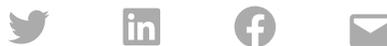
# Panama's Popular Discontent Is Still Simmering

R. Evan Ellis

Apr 27, 2023



*Anti-government demonstrators burn an effigy of Panamanian President Laurentino Cortizo ahead of his State of the Nation address to the National Assembly, in Panama City, July 1, 2021 (AP photo by Ana Renteria).*



With roughly a year to go before Panama's next general election scheduled for May 2024, Panamanians are broadly frustrated with the country's current conditions. During a weeklong visit last month, government officials, academics and others I spoke with expressed concerns over insecurity, the economy, corruption and the stalled completion of popular infrastructure projects.

Panamanians generally believe that their country is headed in the wrong direction and are skeptical of the major political parties' ability to deliver a positive change.

For their part, Panama's political elites are engaged in negotiations to create alliances and partnerships ahead of the party primaries in June and July. While domestic pocketbook issues are dominating public discourse, the outcome of next year's election will also have major implications for Latin America and the U.S., given Panama's significance as a regional financial and logistics hub.

As in many other countries in Latin America, the coronavirus pandemic pushed many Panamanians into poverty. The spike in the price of food and other essential commodities fueled by Russia's invasion of Ukraine exacerbated those conditions, hitting the poorest Panamanians hardest. Panama's worsening economy, including its skyrocketing inflation rates and living costs, triggered major anti-government protests last year, shutting down the country's main east-west highway in July. In response, the government announced that it would subsidize fuel, medicine and electricity prices to help combat inflation caused by Russia's invasion of the Ukraine. It also sought to avoid any provocations or violent confrontations between security forces and the demonstrators, in the hope that the protests would fizzle out.

But while those tactics might have been politically savvy in the short term, Panama's fiscal outlook means that most of the subsidies—including for electricity, the price of which has increased precipitously this year—are now being phased out, creating some risk of renewed protests. The overall economy is projected to grow by more than 5 percent in both 2023 and 2024. But the sectors responsible for that growth, such as mining and logistics, are not generating enough jobs to help reduce Panama's unemployment rate, which lingers at approximately 10 percent—and that is before taking underemployment figures and the country's persistently large informal sector into consideration.

Many Panamanians I spoke with expressed disillusionment with the administration of President Laurentino Cortizo, who won election in 2019 pledging to tackle graft and rebuild Panama's solid, if complicated, relationship with the U.S., which many believed was damaged by the excessive overtures his predecessor, Juan Carlos Varela, made toward China.

Less than a year after Cortizo took office, however, Panama had to contend with the economic fallout of the coronavirus pandemic. The restrictive measures his administration implemented in order to control the spread of the virus were divisive, due to their impact on the economy and public life. In addition to the slowdown caused by the pandemic, major projects, like the construction of a \$1.5 billion bridge over the Panama Canal were delayed and eventually restructured. Plans to roll out new commercial projects in the Canal Zone were shelved. The construction of the new Panama Colon Container Port was halted when the consortium responsible for it, Shanghai Gorgeous Group, collapsed amid a corruption scandal. And the building of a fourth trans-Panama power line—previously awarded to Chinese firms—was also halted following a review by the Cortizo administration.

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## *Against the backdrop of popular discontent, the complex dealmaking among Panama's political elites ahead of next year's election has created an atmosphere of intrigue.*

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Elsewhere, popular disillusionment with the Cortizo administration deepened due to a drawn-out dispute between the government and First Quantum; the Canadian mining giant is the parent company of Minera Panama, a copper mine that opened in 2019 that employs approximately 40,000 people in Panama and generates nearly 5 percent of the country's GDP. A ruling in 2018 by Panama's Supreme Court invalidated the terms of the original agreement for the mine struck in 1997, forcing its renegotiation. Although the two sides agreed to the broad framework of the renegotiated deal, which was announced in January 2022, the Cortizo administration's inability to finalize the agreement and get it ratified by the Panamanian Congress led the government to withhold a license permitting mineral exports from leaving the mine.

In response, First Quantum threatened to suspend operations in Panama in early 2023, declaring in a letter to its employees that it would have to lay off "a significant number of our valuable workforce" if the government of Panama forced it to halt operations in the country. Although an agreement struck between First Quantum and the Cortizo government allowed operations at Minera Panama to continue, the adoption of a law required to codify the deal is still awaiting approval by the legislature.

Another blow against the government was an announcement in February 2023 by the Financial Action Task Force—the intergovernmental agency that serves as the global watchdog for money laundering and terrorist financing—that it would keep Panama on its "gray list" of countries deemed to be insufficiently cooperative with the body's financial integrity regime. Despite acknowledging that Panama had fully complied with 11 of 15 items of concern identified by the body during its last review in 2022, the FATF argued that the government had not yet implemented sufficient measures to counter money laundering.

Against the backdrop of these anxieties, the primary season for next year's general election has begun in earnest, and the complex dealmaking among party elites has created an atmosphere of intrigue. According to most polls, former President Ricardo Martinelli, who was dogged by accusations of graft during his time in office and is barred from traveling to the U.S. due to accusations that he engaged in "substantial corruption" during his presidency, would win if the election were held today. One such poll from last month, covering the period prior to the forming of party alliances, put him in first place among more than 10 potential candidates, with 31 percent support. Martinelli has created a new party called Achieving Objectives ahead of his presidential bid, but he is also supporting the candidacy of Yanibel Abrego for the nomination of his former party, the Christian Democrats. That could create the possibility of an electoral alliance between the two if Abrego is nominated by the Christian Democrats.

Although many voters readily acknowledge the widespread corruption during Martinelli's presidency, he still enjoys strong backing from poor and working-class voters. They remember his time in office as one of broad-based prosperity, when the economy performed well, they had well-paying jobs and popular infrastructure projects—like the new locks in the Panama Canal—made rapid progress. By the same token, Martinelli made many enemies across the political spectrum, and few, if any, of them look forward to his potential return to power. As a result, the ongoing maneuvering among Panama's influential families and elite powerbrokers is focused to a considerable degree on creating viable alternatives to Martinelli.

Cortizo, the incumbent, is barred from running for reelection due to a constitutional prohibition against a president serving consecutive terms in office, and his party, the Revolutionary Democratic Party, or PRD, appears split between its centrist and leftist wings. Among a crowded field of primary contestants, polls indicate that centrist Vice President Jose Carrizo is the party's strongest candidate against Martinelli, drawing 27 percent support. But many Panamanians I spoke with raised questions about Carrizo's leadership style as well as allegations of corruption that have swirled around him as well. Among the party's leftist faction, Crispiano Adames, the current president of the National Assembly, reportedly has close ties to Russia and is regarded as sympathetic to authoritarian governments in Cuba, Venezuela and Nicaragua.

Among aspirants in the Christian Democratic party is the pro-business centrist Romulo Roux, who is competing against Abrego. If Roux prevails, he might seek to form an anti-Martinelli alliance with Jose Blandon, the candidate of the Panamanian Party, a well-established center-right party in Panama. Although Roux and Blandon would be broadly acceptable to key Panamanian powerbrokers, skepticism about their respective abilities to win the popular vote might prevent elites from rallying behind such an alliance were it to emerge.

Another potentially formidable candidate in the mix is former President Martin Torrijos. Though formally affiliated with Cortizo's PRD, Torrijos is reportedly locked in negotiations with the Popular Party—a smaller opposition party—that could see him emerge as its presidential candidate, with a decision expected to be announced in July. Many Panamanians see Torrijos as the only candidate with a realistic shot at defeating Martinelli. But some more cynical observers argue that Torrijos' affiliation with the Popular Party is simply a ploy to boost the party's vote total—and, with it, the size of the campaign-financing subsidies it gets from the government. Moreover, they note, Torrijos could potentially eat into the PRD's vote share, thereby increasing Martinelli's chances of victory, possibly in return for a Cabinet appointment in a second Martinelli administration.

Finally, Ricardo Lombana, a candidate affiliated with the "Another Way" party, is attracting attention for his unorthodox campaign based on a platform of austerity and anti-corruption measures. Lombana draws considerable support from middle-class professionals, but he is largely regarded as a dark horse for now.

Although Panama's general election is still a little more than a year away, the anxieties and cynicism that have taken hold in this strategically important country are concerning, particularly with regard

to ties with the United States. Though Washington’s extensive historical and contemporary footprint in Panama has fueled considerable anti-U.S. elements in the country’s domestic politics, most notably among the left-leaning trade union SUNTRACS, maintaining a healthy relationship with the U.S. has long been a consensus position in Panamanian politics.

Martinelli, who was educated in the U.S. and retains extensive personal ties to the country, maintains that his legal difficulties will not sour his working relationship with Washington if he is reelected. By the same token, Mari Carmen Aponte, the U.S. ambassador to Panama, declared that Washington will work with whomever Panamanians elect. Nevertheless, collaborating with Martinelli could be difficult in the context of the bad will created by his prior extradition from the U.S. to Panama as well as legal actions the U.S. took against his children.

At a time when Panama faces severe stress across multiple fronts—and with China taking steps to expand its influence there, including by pursuing a range of infrastructure projects and sending one of its best diplomats to Panama City—Washington must think hard about what it can do to strengthen its relationship with Panama. That will be crucial to shoring up the United States’ strategic position in the country, but also to helping Panama tackle its wide-ranging domestic challenges, both after next year’s election and in the years ahead.

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