

# U.S. - Panama Strategic Relations

## Importance of the Panama Canal

Since construction of the Panama Canal in 1914, the United States and Panama have built a strong friendship and strategic partnership. The almost-century old Canal is a major global commercial artery and today remains a strategic asset for global trade. Roughly 5% of the world's trade transits the canal. That trade directly supports the U.S. economy, as roughly two-thirds of ships transiting the Canal are headed to, or coming from, a U.S. port. The Panama Canal Authority is a model institution and operates the Canal free of undue foreign or political pressure.

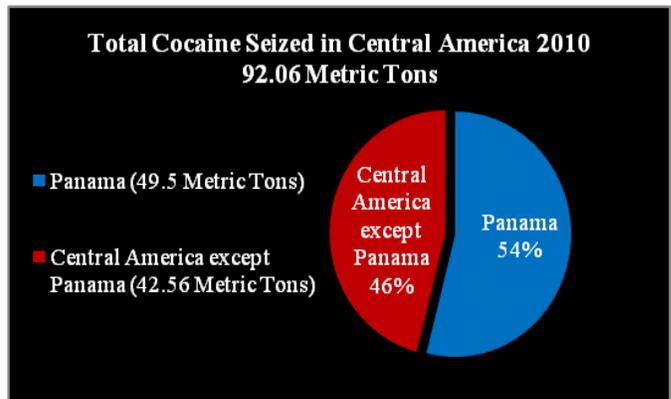


## Political Overview

Following Operation Just Cause's mission to restore democracy over twenty years ago, Panama established and consolidated a democratic and stable government. Panama also achieved new confidence and dynamism with the 1999 handover of the Canal and surrounding zone. Ricardo Martinelli won the Presidency in the May 2009 elections, and his "Alliance for Change" government was sworn into office on July 1, 2009. The Alliance controls the unicameral National Assembly with 47 of 71 seats. In addition to Martinelli's "Democratic Change" party, the coalition includes the Panamenista Party led by Vice President/Foreign Minister Juan Carlos Varela, and a small party called Molirena. The Martinelli Administration's priorities are infrastructure development, increasing citizen security, and implementing certain social development programs.

## Counternarcotics Cooperation

Panama continues its history of close cooperation with the United States on counter narcotics operations. Panama is a major transshipment hub for the movement of contraband to the United States and other world markets due to its geographic position and well-developed transportation and financial infrastructure. Colombian and Mexican drug trafficking organizations located in Panama along with the FARC operating in the remote Darien region continue to move drugs through Panamanian territory. This cooperation against the traffickers has yielded many successes, including significant narcotics seizures. Panama law enforcement agencies, working in cooperation with U.S. counterparts, have seized an average of 53.7 tons of cocaine each year since 2007, by far the most of any country in Central America. Panama has also made progress on improving the transparency of its financial system, including ratifying a tax information exchange agreement with the United States.



The U.S. Government support for Panama's counter narcotics efforts, including support of the newly created Ministry of Public Security and its three security services, continues to help Panama combat narcotics trafficking and build stronger security and justice institutions. Additionally, improvements in police techniques and increased community involvement linked to U.S.-funded reform programs have stabilized and even led to a slight drop in the murder rate in 2010.