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## Sustainability of Immigration: The Republic of Panama Case Study

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The recent economic and social trends in most countries around the world have kept the migratory flows far from stopping. The 2000 and 2008 financial crises were a motivation for many people to leave their country. Regarding Latin Americans, a great number of people felt attracted to other countries, rather than to the traditional destinations such as the United States and the European Union exclusively. Plus, factors as the cultural change and a stricter migratory regulation caused these citizens to focus on other countries inside Latin America.

While some countries in Latin America have a stable, strong economy, others are either in recession or in a social crisis caused by high crime rates, drug trafficking, and corruption. The most attractive destinations inside Latin America are Panama, Chile, and Uruguay. (emigrante.com; 2016) Out of these countries, Panama has a comparative advantage due to the dollarized economy, the strongest banking center of the region, low inflation, and is not affected by natural disasters as other countries are. This article will describe a qualitative and quantitative analysis regarding the current immigration rates in Panama, in order to determine whether if these rates are sustainable or not.

### **History of Immigration in Panama**

As the history of Panama is analyzed, four well-defined immigration flows to the country can be highlighted. These migratory flows have had a great impact on the country's history and, to some extent, have designed its current reality and diversity. With the discovery of the New World back in 1492 and of the Isthmus of Panama in 1501, a massive flow of European immigrants arrived to the hemisphere. In Panama, most of these immigrants were Spaniards that were attracted to new opportunities and to new trade routes after the Pacific Ocean was discovered in 1513. (Correa, Feliciano) A second significant flow of immigration to Panama

occurred during the construction of the Panama Canal. <sup>1</sup> The United States hired thousands of workers from the West Indies, India, China, and even Africa. These workers completed the ten-year project and most of them made the recently formed country their new home.<sup>2</sup>

The third notable immigration flow occurred in throughout the first half of the 20<sup>th</sup> century, were the Spanish Civil War, the World Wars, and general tensions in some regions motivated the arrival of Europeans, Israelites, and Asians to the Republic of Panama. During this time, the flow of American citizens was significant as well, since the Panama Canal Zone was under control of the United States for nearly the whole century (1904-1999).

### **Characteristics of Current Immigration Flow**

The fourth immigration flow in Panama is currently happening. In the 2010's Panama received a great number of immigrants, most of them which came from Colombia, Venezuela, the United States, China, and the Dominican Republic. Other popular sources of migration to Panama are Nicaragua, Cuba, and the West Indies. Some neighborhoods in the former Canal Zone are still attractive for retired Americans, which might go looking for the South Florida-like weather, the dollarized economy, and the stable relations Panama has with the United States. This is confirmed by the magazine *International Living*, which ranked Panama as the best retirement destination in the world after it scored 100 points in different categories such as weather, residency, costs, and healthcare. (Hernandez, Alex) The situation regarding the other countries shows some contrasts. People from countries such as Colombia, Venezuela, and China

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<sup>1</sup> A French company began the project in the late 1800's; however, this project failed and the United States began the construction of the Panama Canal in 1904.

<sup>2</sup> The Republic of Panama separated from Colombia and became an independent country in 1903.

are looking forward to join the labor force and, in some cases, find a more politically and economically stable residence.

Due to factors such as a good performing economy that has grown positively for more than two decades and a GNI very close to the high-income countries line, with \$11,880 per capita, Panama has become a central point for migration flows in Latin America. Regarding migration, the flows that were previously analyzed do not compare in proportion to the current one, at all. Data suggests that there was a 430% increase in foreign residents entering the country between 2012 and 2013, from 38,374 to 203,465. In 2013, 78.13% of immigrants entered via an airport, while the remaining portion entered through seaports or land. The main cause for this increase is the execution of the Crisol de Razas Program by the government, which legalized and gave residency to thousands of tourists. Reports from the following year, 2014, indicate that 60.9% of the immigrants that entered were males. Out of this group, nearly 52.1% were in ages 25 to 44. Regarding females, 46.1% of them were in this same age group. (INEC 2014)

**Chart 1.** Main Purposes that were stated to enter the country, with its respective share

Purpose to Enter Panama	Share of Immigrants
Tourism	78.5%
Business	7.34%
Diplomacy	0.24%
Residency	1.82%
Family Issues	0.18%

Data from: National Institute of Statistics and Censuses, Panama 2016.

The graph above shows the main purposes that were stated at different migration control points in the Republic of Panama, in order to enter the country. Besides this column is the percentage of people that stated this purpose in the year 2014. While tourism comprises a significant portion of the Panamanian service economy, there have been different reports of companies hiring tourists without their appropriate permits to work in the country. This has resulted in a high number of tickets and penalties given to businessmen who hire this informal labor force.

**Chart 2.** Comparison between reported Arrivals and Departures for foreign citizens in the Republic of Panama

Year	Number of Arrivals	Number of Departures	Difference
2010	1,725,956	1,427,986	297,970
2011	1,946,290	1,739,221	207,069
2012	2,043,948	1,778,959	264,989
2013	2,113,793	1,862,666	251,127
2014	2,143,853	1,930,743	213,110

Data from: National Institute of Statistics and Censuses, Panama 2016.

The chart above shows the difference between the immigrating and emigrating flows, which is based on numbers exclusively for foreign people. Since Panamanian law states that

people who claimed to be tourist cannot stay for longer than 6 months, this graph shows a discrepancy to this legislation. Instead of being close to a break-even point, this chart shows that the number of arrivals outweighs the number of departures for tourists. Furthermore, this confirms the fact that there is a significant number of foreigners who stay working in Panamanian territory without the appropriate permits or performing other activities besides just joining the labor force.

### **Economic and Social Sustainability of Current Immigration**

#### *Disproportion between Economic Growth and Immigration Inflow*

It is clear that Panama is receiving a great flow of immigrants, perhaps, the most significant one in a couple of decades. In order to answer the main question, whether if this immigration is sustainable or not, we would need to consider numbers and measure the future impact of this flow in Panamanian population. According to data from the World Bank, Panama's Crude Birth Rate has lowered from 41 in 1960 to 19 in 2014, while the Crude Death Rate was cut by half from 10 to 5, in the same years, respectively. This would leave us an annual population change rate of 1.4%, in the absence of migration. At this rate, the population of 3.8 million would double in exactly 50 years.<sup>3</sup> (World Bank org.)

When we consider the immigration flow, we could notice drastic changes to the previous statistics. According to the World Bank, Panama has a total net migration of 28,105 people. This indicator corresponds to a 5-year estimate of the number of immigrants minus the number of emigrants. The same indicator shows us that Panama has a net migration rate of 7.51 per 1000 people. This number would change Panama's growth rate to 2.151%. In other words,

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<sup>3</sup> This data from the World Bank corresponds to numbers from the year 2014.

Panamanian population will double in 32 years and a half. This population growth rate will be unprecedented in the country's history; considering that the growth rate in the time period between 1960 and 2000 was around 1.67%. We should add the factor of the Total Fertility Rate, which is of 2.4, a little bit above replacement fertility.

The previous numbers in Chart 2 show that the average inflow of immigrants to the country is around 246,853. This might not seem a great immigration flow if we compare it to the 1.1 million refugees that entered Germany in 2014 or the great number of immigrants that entered the United States. Nevertheless, if a proportion relative to the population size is kept, the magnitude of this inflow would be realized. The inflow that Germany received comprises around 1.37% of its population of 80.62 million, while Panama's inflow represents around 6.49% of its population of 3.8 million. (World Bank) Economically, this inflow is completely disproportioned to the respective sizes of the economies per capita and to Panamanian economic growth. While Panama's GDP grew at 5.7% in 2015, it experienced a -51.69% change from the 11.80% growth achieved in 2011. Currently, this trend is expected to continue as most Panamanians perceive an economic slowdown. (World Bank)

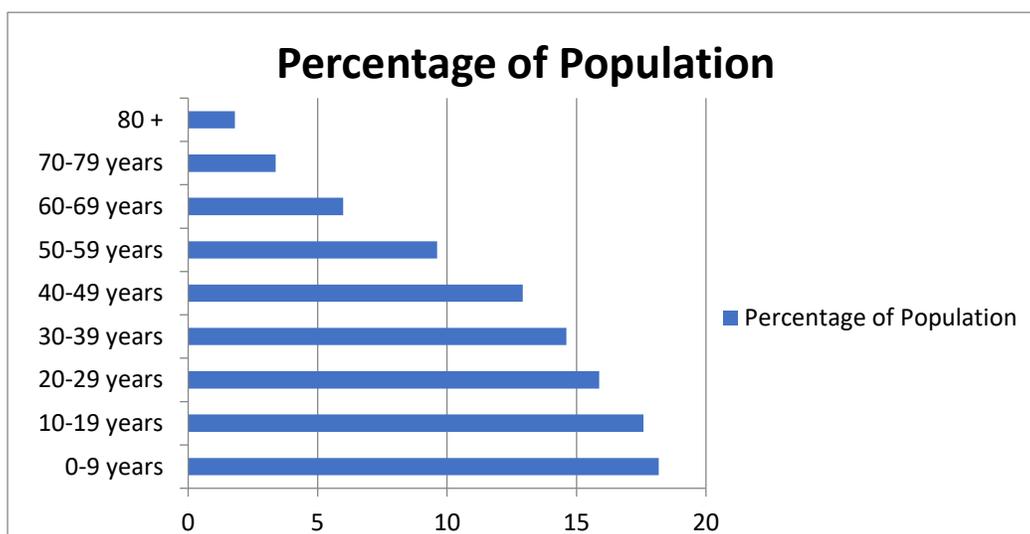
Remittances constitute an important source of income for traditional remittances-receiving countries. Data from the Panamanian government suggests that Panama sends more remittances than what it receives. In 2015, around \$472.7 million were received, while \$826.4 million were sent to countries as the United States, Colombia, Mexico, and Costa Rica. This creates a deficit of \$353.7 million in this market, which are sent outside the Panamanian economy and do not return into the economic system. Some scholars agree that remittances could be an effective tool to combat poverty and aid developing countries. However, these

money transfers should proceed from bigger economies that do not see a great share of their GDP gone through the remittances market. (INEC Panama)

*Peripheral Challenges of having a Young Population and Labor Force Expansion*

As most developing countries are, most of the population will remain young and have a rapidly growing labor force. This can be confirmed by demographic data from Panama's censuses, which includes future estimations about age structure as well.

**Chart 3.** Share of Population by Age Group



Source: "Demographic Transition in Panama". 2016

The previous graph includes official data for the year 2016. We can see that the youngest groups have a bigger share of the total population. In other words, Panama's demographic transition is at a mid point, as described by these reports, and the effects of the global tendency towards having an aging population would not be seen in the short run. Panama will remain as a young country, with a growing labor force that supports older groups that need social security

retirement. While this could be a positive effect of having constant immigration, this might become an issue from other aspects. Since Panama will remain young in the next decades, its production should match the future demands for schools, hospitals, and infrastructure in general. Currently, this is not happening considering that a great number of public schools were not ready to begin the academic year. In a similar way, the Social Security Hospital is strongly criticized for its lack of certain medicines and its extremely crowded emergency room.

It is implied that Panama has been generating jobs for this increased labor force. As we explore the magnificent skyline of Panama City and other projects such as the electric train and dams in the countryside, we realize that it is good to have a constant supply of labor so that these projects can become a reality. However, this rate would need to be kept constant and even increase in the short to medium run. As previously state, most of the immigrants belong to middle age groups and join the labor force. Even though the country has made huge improvements in the unemployment level since the 80's, the trend is not being kept since 2012. Since that year, unemployment has risen from 4.0% to 4.3% in 2014. This is an alarming fact considering that the labor force is growing and more jobs are needed. (World Bank)

#### *Potential Urban Problems*

Regarding the population density, this number has risen from 31.4 to 45.9 inhabitants/km<sup>2</sup> in a 20-year period. (Dixon et al). However, some districts close to Panama City have a population density as high as 7,284 inhabitants/km<sup>2</sup>, which is denser than Mexico City or Caracas, Venezuela. (World Bank) This tendency will keep rising the population density and create needs for horizontal properties and a different urban planning in these regions. This is definitely a challenge considering that Panama City is very saturated, and its transportation and

trash disposal systems are showing constant flaws.<sup>4</sup> The previous issues are considered market failures by some economists, for they do not provide the optimal conditions to the inhabitants of the urban area. (Ihlanfeldt) Furthermore, the expected increase in demand for properties all over the country is already increasing prices as well, which is creating an unprecedented inflation in the real estate market. This effect will impact other sectors as well, as the demand for credit will increase as well and banks should avoid potential losses.

### *Social Perception and Response*

Regarding security and crime perception, Panama has been a relatively safe place for its citizens. After the re-democratization of the country in 1990, the social and political system has remained stable, and this is the reason why Panama has been considered safer than most of its Latin American neighbors, some of which have the most dangerous cities on the planet. Even though in 2015 the homicide rate in Panama reached its minimum in 10 years, with 11.1 homicides per 100,000 people, this is not the reality for other crimes as robbery. (Insightcrime.org) According to reports by Panama's National Police, 4 crimes occur every 12 hours. Out of this amount, there is a perception that a significant proportion is committed by immigrants.

Different offices report the presence of Colombian and Mexican drug cartels in Panama. Furthermore, guns and tons of prohibited substances have been confiscated by Panamanian Authorities, which report these cases to its citizens. These crimes might have negative effects on society and generate an influence on other crimes as well. Moreover, experts describe how different, new crime methods have arrived to Panama, and how the former robberies committed

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<sup>4</sup> Panama City is the third city in the hemisphere with the most skyscrapers, after New York City and Chicago. (skyscrapercenter.com)

by local gangs in popular neighborhoods have been replaced by more sophisticated and alarming crimes. (Garía de Paredes, Marie)

In the last years, during the immigration boom, there have been particular cases that have impacted Panamanians, as the American and Dominican citizens that were serial killers in different parts of the country. Even though both men were legally processed and sent to custody, the latter one escaped from prison in early 2017. Furthermore, the National Office of Migration claims that it has deported foreign ladies that were known to be involved in activities such as non-regulated prostitution. The director of the Migration Office, Jose Carrillo stated: “A group of 50 undocumented ladies were arrested in Colon City (Atlantic Coast) and were deported on the next day. All of them were foreign citizens”. (Hernandez, Jose)

In the last half of 2016, Panama was facing a severe crisis regarding migrants from Cuba, Haiti, and Africa. After the Obama administration began the reestablishment of political relations with Cuba, many Cuban citizens saw this as an opportunity to migrate to the United States. As they were interviewed, they declared that they traveled to Ecuador or Colombia in South America, and looked forward to continue their trip to the United States by land. Even though these migrants were a temporary flow, they brought different diseases and started a sanitary crisis that alarmed the population. Moreover, the situation worsened when Nicaragua and Costa Rica closed their borders, in order to stop the migrants from entering their countries. For this reason, more than 3,000 migrants were stranded in Panamanian territory and in the bordering areas with Costa Rica. This unexpected situation began a humanitarian crisis that saw the participation of Central American presidents and the Catholic Church. The Panamanian government solved this issue with cooperation from the Mexican government; and sent the

migrants in charter flights to Juarez City, in the border with the United States. Once they arrived, they continued their trip at their own expense.

In January 2017, a similar situation occurred to Venezuelan citizens in the border between Panama and Costa Rica. The Office of Migration concluded that these citizens were illegally working in Panama under tourist status, which lasts for up to six months. Once the six-month period is over, they cross the border to Costa Rica and return to Panamanian territory after 24 or 48 hours, in order to extend their period for six more months. Since this method is completely illegal, authorities from the Office of Migration closed the border with Costa Rica and left hundreds of Venezuelans stranded in Costa Rican territory. Panamanian authorities have kept a strong position regarding this crisis and deported all those immigrants who were trying to repeat this illegal cycle. (Rivera, Sandra Alicia)

Due to the previous issues, Panamanian society has adopted a sense of precaution and defense regarding the immigration boom. Also, it is worth mentioning that a great number of Panamanians feel that the local labor force has been “displaced” and that current public policies regarding immigration are generating doubtful effects. Older generations argue that these issues were not seen a few decades ago and there is an overall mixed perception regarding the current social status of the country. For this reason, different groups have originated, such as “Panama, for Panamanians” or the “Panamanian Nationalist Movement”, which are supported by activists, young professionals, and even media people. Also, several protests by these groups have joined and expressed their feelings regarding massive immigration.

The Panamanian government has responded to this social perception and has started different updates to the migratory system. The previously mentioned “Crisol de Razas” fair,

which provided legalization to thousands of foreign citizens, was temporarily suspended. Also, different controls and security monitoring are placed at different points of the country, which help to identify people with a criminal record and pending legal processes. Furthermore, monetary penalties to businessmen who hire undocumented workers were raised, since a great number of these businessmen hire them in order to underpay their workers and do not provide the required benefits to them.

### **Final Conclusions**

Panama has been known as an attractive destination for people around the world, and Panamanians have always welcomed these foreigners. They feel very proud to be a multicultural and diverse country, and this was shown last year at the inauguration of the expanded Panama Canal, where a single prayer alluded to all the different religions that exist in the country. Furthermore, historic immigrating groups such as the Chinese and Hindus have appropriately integrated to society, and their descendants are proud to be Panamanians. Reciprocally, Panamanians have a part of them in their culture, which can be proved by the many foreign words used in Panamanian Spanish.

Different economic, demographic, social, and geographical aspects regarding the current immigration flow in Panama were previously explored. Quantitative and qualitative data was used in order to show the main characteristics and to show the potential effects of this inflow in different sectors. Immigration might be needed in order to fulfill the country's demand for labor in order to execute its projects and to end several deficits of high-skilled labor such as medical doctors. However, there are strong arguments and evidence that indicate that there is a disproportion between the magnitude of the current immigration flow and what the country can

actually sustain to ensure wellness for locals and foreigners. The following factors support this conclusion:

- Disproportion between the flow of immigrants and the economic growth, in other words, the economic growth will not reach everyone if the immigration keeps its trend.
- Uncertainty to meet the necessities of the increased young population.
- Excess labor supply, which was quantitatively proven to be increasing unemployment.
- Market failure in the cities due to urban problems related to increased population density.
- Social issues and tensions related to Panamanians' perception regarding crime, illegal activities, and displacement of local labor force.

While Panama has sustained immigration previously, it will certainly face challenges if the current immigration continues at its level. For the most part of its history, Panama has been a middle-income country that has struggled to solve its internal problems, regarding income inequality, corruption, and criminality. If the immigration flow is considered, there would certainly be unsustainable conditions in the short to medium run. These conditions cannot ensure the wellness and full employment for neither locals nor foreigners. For this reason, immigrants should focus on countries with more developed institutions and experience with immigration, such as the United States, Germany, Spain, Canada, and Sweden.

The government should focus on areas in which there is a labor deficit, rather than just incorporating a random pool of workers into the labor force. Moreover, controls should be improved, in order to avoid potential social and humanitarian crises as the ones that were previously experienced. These controls should ensure that the inflow is proportional to the economic growth, so that this growth can reach locals and foreigners. Another important aspect

is the role of education in this situation. Panamanians should promote a peaceful society that is highly tolerant towards these foreign groups, which in most cases do not have any control over their country's conditions. With these improvements, immigration can be brought back to its sustainable level and conditions could be improved for everyone in the country, regardless of their background.

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