

Testimony by Congressman Dana Rohrabacher
“The Impact of the Turnover of the Panama Canal Turnover “
Subcommittee on Domestic and International Monetary Policy
House Committee on Banking and Financial Services
December 7, 1999

Mr. Chairman:

Thank you for taking the initiative to conduct this hearing on the turnover of the Panama Canal to the Government of Panama one week before the ceremony takes place in the Canal Zone. Today, as we commemorate the surprise attack on Pearl Harbor, it is critical that we focus attention on a potential threat posed by the presence of communist China along the key geo-strategic choke point in our hemisphere.

In addition, the withdrawal of American security forces, as called for in the Carter-Torrijos Treaty, has empowered a broad array of international criminal organizations operating in Panama, who are involved in high-level money laundering, drugs and weapons smuggling, the trafficking of illegal aliens and the counterfeiting and distribution of American intellectual and entertainment products.

In mid-1996, the Clinton administration permitted a corrupt bidding process for the ports, defined by State Department officials as “lacking transparency” and “highly unusual.” This corruption enabled the Hutchison Whampoa Company, whose Chairman Li Ka Shing is a close associate of the inner-circle of Beijing’s ruling elite, to be awarded the ports and adjacent strategic properties.

With your permission, I will submit for the record of this hearing a copy of the June 17, 1996 Panamanian Government’s listing of the bids by the consortiums at the auction for the Canal ports. This was supposed to be the defining transparent auction to decide the ports lease. You will see that while the Chinese Hutchison International Terminals bid \$10 million, the U.S. Bechtel Corporation bid \$11 million and the Manzanillo/Stevedoring Services of America bid \$11.6 million. The corrupt Panamanian government of President Perez-Balladares threw out these bids.. This ultimately enabled the Chinese company, with purported large under-the-table payoffs to Balladares and his cronies, to gain possession not only of the ports which were originally listed, but of other key strategic properties on the Canal.

Mainland Chinese criminal Triad gangs -- some of whom have ties to Chinese intelligence agencies -- are active throughout Panama, in partnership with the Russian mafia, the Cuban intelligence service and South American cartels in conducting drug and weapons smuggling. While U.S. military and other security forces have been withdrawing from the Canal Zone, Marxist narco-terrorist forces are expanding their power in neighboring Colombia and are developing a presence in Panama, within striking distance of the Canal.

Panama does not have an army, air force or adequate naval assets to credibly protect its sovereign territory. Much less to defend a strategic asset like the Panama Canal. Panama's national police units are known for their lack of professional competence, and certainly no match for a determined adversary. Official corruption throughout the country is rampant.

It is essential to look at the Chinese role in Panama not only in terms of economic competition on the Canal, but as part of a larger strategic picture. During the past two years, I have traveled around the Pacific rim recognizing what is certainly a long term strategy on Beijing's part to gain control of the world's key strategic choke points. A "vacuum-filling" pattern seems to be evident: Wherever in the Pacific the U.S. withdraws or is negligent militarily, politically or economically, the Chinese communists move in.

A company linked to Beijing controlling ports at both ends of the Canal increases security risks. In addition, their control of the ports and cargo stevedoring -- the loading and unloading of millions of container boxes from ships departing from and traveling to the United States -- this also enhances the two-way flow of sensitive weapons-related technologies. The expanding numbers of Chinese personnel entering the Canal Zone enhance the potential for sabotage, especially if a war should conflict with China over Taiwan or the South China Sea should occur.

Li Ka-Shing and his Hong Kong-based Hutchison Whampoa company and subsidiaries are closely associated with the Beijing regime and have a history of acting as sources of funding or acting as intermediaries in deals for the People's Liberation Army. Unclassified documents by U.S. intelligence agencies, the U.S. Bureau of Export Affairs [BXA], the U.S. Embassy in Beijing and the Rand Corporation that identify Li Ka-Shing and Hutchison Whampoa as financing or serving as a conduit for communist China's military to acquire sensitive technologies and other equipment.

U.S. intelligence agencies have identified Li as a board member of the China International Trust and Investment Corporation CITIC, which is a principal funding arm of the Chinese and a technology acquiring source for China's military. In fact, in 1979 Li was a founding member of CITIC. A 1997 Rand Corporation report states, "CITIC does enter into business partnerships with and provide logistical assistance to the People's Liberation Army..."

Li is also a business partner of the giant communist Chinese shipping firm COSCO, which in addition to commercial transport, acts as the merchant marine for the Chinese military. COSCO has been involved in shipping Chinese missile technology and biological warfare components to North Korea, Pakistan, Iraq and Iran. A November 1999 Hong Kong reports [which I request be admitted to the hearing record] cites COSCO merchant ships being fitted by the People's Liberation Army to conduct military operations including, mine laying and anti-submarine warfare.

Li has also engaged in numerous business partnerships with the China Resources

Company, a firm that has been identified by U.S. Congressional investigators as a front for Beijing's intelligence agencies.

By using Hong Kong-based firms with close ties to the regime, the thin line between the PRC government and private companies is blurred. And as the Canadian government's Operation Sidewinder investigated, there are significant ties between the Chinese military, the Triads and some Chinese tycoons.

If we do nothing, within a decade a communist Chinese regime that hates democracy and sees America as its primary enemy, in partnership with the Triads and the cartels, will dominate the tiny country of Panama and the Panama Canal.