

Testimony of Congressman Dana Rohrabacher  
Senate Armed Services Committee  
AFuture Security of the Panama Canal@  
October 22, 1999

Mr. Chairman:

Thank you for this opportunity to present my findings about a serious threat to our national security that is developing in the strategically important Panama Canal Zone. During the August break, I traveled to Panama to investigate reports that communist China is rapidly expanding its influence in Latin America and the Caribbean region, especially in Panama. In addition, Marxist narco-terrorist forces are expanding their power in neighboring Colombia and are developing a presence in Panama, within striking distance of the Canal.

It was breath-taking to see that all U.S. military bases, where only a short time ago, thousands of American troops were stationed to protect the Canal and to respond to regional crises, are now empty ghost towns.

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. I also learned of the wholesale piracy of U.S. intellectual property products coordinated by criminal organizations from mainland China; drug and weapons smuggling between Russian and Chinese mafia groups and the Colombian narco-terrorist armies; voluminous cases of money laundering; and alarming Chinese illegal alien smuggling, including involvement in this trafficking by the highest level of Panama's government.

It is essential to look at the Chinese role in Panama 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.

This includes the Indian Ocean [where we see communist Chinese bases in Burma]; the South China Sea [with the PRC's power play in the Paracel Islands]; the Straits of Malacca [where Chinese military ships and installations can be found in the Spratley Islands]; the central Pacific [we find a major land satellite tracking station on Tarawa] and the coast of Hawaii [a major ocean mining tract], which nobody is paying attention to.

In addition to a growing commercial prowess in controlling ports in Vancouver, Canada and in Caribbean, China recently completed military/intelligence agreements with Cuba to build communications intelligence facilities. The Cuban facility enables the monitoring of the U.S.

Atlantic fleet and elements of U.S. Pacific fleet operations, as well as domestic commercial and military communications throughout the Americas. In addition, the Chinese are stepping up their military-to-military relationships with South American nations.

The Chinese People's Liberation Army does have a defined military strategy for confronting the United States. It's called "asymmetrical" or unrestricted warfare. An important new book called "Unrestricted War," published by the People's Liberation Army in 1999, is widely read and discussed by China's military elite. As the Washington Post reported, the authors of "Unrestricted War," advocate that the tactics for a less developed country to attack and defeat a superpower should include, terrorism, drug trafficking, computer hacking and financial warfare.

Pointedly, in an interview published on June 28, 1999 in a Beijing newspaper, the authors of "Unrestricted War" state: "No-limit warfare transcends all models of warfare, breaking with all limits, and using all means, striking the enemy from all angles, at all levels and in all areas, to meet our war aims." The authors discuss urban guerilla warfare, computer hackers to destroy information systems, disruption of financial markets and international trade, suitcase nuclear devices and the terrorist Osama bin Laden. They also cite Panama as a fertile area for no-limits war. They state, "A small country like Panama would have a chance to exploit [the United States]. It could use a no-limits strike [the Canal] to cause America trouble... causing chaos to the U.S. financial system. Finally, it could have acquired two small atomic bombs from somewhere, hiding one in Washington and one in a prosperous New York neighborhood, under which pressure, the United States would have conceded, with the United States losing... And while China is not rich, it could come up with enough money to raid an unprepared power's [financial markets] to cause a financial crisis."

For these very real reasons, Mr. Chairman, I am concerned about communist China gaining a substantial economic foothold in our financial and business community and a maritime base in our hemisphere. Panama Canal security has always been very difficult to guarantee. The presence of entities linked to Beijing controlling ports at both ends of the Canal increases this serious security risk. In addition, their control of the ports and cargo stevedoring enhances the two-way flow of sensitive weapons-related technologies that is extremely difficult to monitor.

Even though the United States has the right to militarily intervene in Panama, that intervention would be too late if a small band of terrorists performed a sudden sabotage strike against the Canal. The months it would take to repair the Canal could seriously undermine the U.S. economy and prevent critical materials from reaching a distant battle zone in a timely manner.

I am especially concerned about the corruption and the lack of transparency in the contract bidding process that enabled the Chinese Hutchison Whampoa Company and its Chairman, Li Ka-Shing, to obtain 25 to 50 year leases on ports at both the Atlantic and Pacific Ocean ends of the Canal. Li Ka-Shing and his Hong Kong-based 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.

I learned from a number of sources in Panama that although Bechtel corporation was outbid, that at least other consortia involving American companies -- such as Manzanillo Ports and Stevedoring Services of America -- likely offered better bids for the ports, but were outmaneuvered at the last minute by under-the-table payoffs. Hutchison also had the advantage in knowing that other facilities such as Albrook airfield and the ports at the strategic Rodman naval station were included in the deal, while other companies reportedly did not have that information.

It is especially troubling that the Clinton administration, including defense and intelligence agencies, have publicly stated that they have no knowledge of a connection between Li Ka Shing, his Hutchison Whampoa ports company and the communist Chinese government or military.

I request the Committee's permission to enter for the record of this hearing 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.

Despite being a billionaire and international tycoon, with business interests throughout the world, Li is a prominent player in the communist Chinese leadership's inner circle. Our 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. Not included in the CIA biography is that in 1979 Li was a founding member of CITIC. Other members of the CITIC board include prominent members of the communist Chinese military industrial complex. A 1997 Rand Corporation report states, "CITIC does enter into business partnerships with and provide logistical assistance to the People's Liberation Army..."

Among CITIC board members is Wang Jun, the chairman of the Poly Technologies corporation, which was indicted by U.S. Customs for attempting to ship thousands of weapons into California for use by street gangs. According to the Wall Street Journal, the South China Morning Post and other reports, the People's Liberation Army created the Poly Group, with CITIC funding, for international arms trading. The Poly Group is known for selling advanced military systems to Third World countries.

Li is also a director 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. 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.

Mr. Chairman:

The serious threat posed to the West and to world peace by communist China is growing. But it is more subtle and less definitive than past threats. The thin line between the PRC government and private companies is blurred. Nevertheless, only a fool would ignore the danger. And that is what American policy toward Panama is **B** foolish.

If we do nothing, I can guarantee you that within a decade a communist Chinese regime that hates democracy and sees America as its primary enemy, will dominate the tiny country of Panama and the Panama Canal. This travesty need not happen, but we must exert forceful leadership to prevent it.