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China company grabs power over Panama Canal

By Rowan Scarborough
THE WASHINGTON TIMES

Senate Majority Leader Trent Lott recently wrote to Defense Secretary William S. Cohen that a Chinese shipping company is gaining broad authority over the Panama Canal and could deny passage to U.S. ships.

"It appears that we have given away the farm without a shot being fired," the Mississippi Republican said in the Aug. 1 letter requesting Mr. Cohen's security assessment.

It was the first time a congressional leader has raised questions about growing Chinese influence over one of the world's most strategic waterways. Until now, warnings were being raised primarily by a handful of conservative lawmakers, led by Rep. Dana Rohrabacher, California Republican, who plans a fact-finding trip to Panama on Monday.

The focus of concern is Hutchinson Whampoa Ltd., a giant Hong Kong-based shipping firm with ties to China's leadership and its armed forces, the People's Liberation Army (PLA).

Under circumstances the U.S. Embassy in Panama called unusual, the government in 1997 awarded Hutchinson a 25- to 50-year contract to run the two major ports on the canal's Atlantic and Pacific entrances.

Moreover, conservatives assert that Panama gave Hutchinson broader powers in legislation known as "Law No. 5."

Al Santoli, an aide to Mr. Rohrabacher, said the law enables Hutchinson to assign the pilots who take control of ships and steer them through the canal. He also said the

Chinese company can block passage of ships to meet its business needs.

This contention was challenged by a spokesman for the Panama Canal Commission, a panel of five Americans and four Panamanians who run the waterway. The Panama Canal Commission spokesman said the treaty gives the United States the right to intervene militarily to protect access.

Mr. Lott wrote to Mr. Cohen, "This administration is allowing a scenario to develop where U.S. national security interests could not be protected without confronting the Chinese communists in the Americas. U.S. naval ships will be at the mercy of Chinese-controlled pilots and could even be denied passage through the Panama Canal by Hutchinson, an arm of the People's Liberation Army.

"In addition, the Chinese Communist Party will gain an intelligence information advantage by controlling this strategic chokepoint. It appears that we have given away the farm without a shot being fired."

The senator sent the letter based on an article in Insight magazine, a sister publication of The Washington Times, that detailed Hutchinson's ties to the PLA. The Times first reported in 1997 that Hutchinson had gained control of the port of Balboa on the Pacific and Cristobal on the Atlantic.

The United States is the No. 1 user of the canal that carries 13,000 ships per year.

The U.S. military is abandoning bases in Panama under a 1977 treaty, signed by President Carter, that gives canal ownership to Panama, effective Dec. 31.

Mr. Santoli said the canal is part of a Chinese strategy to move into countries abandoned by the United States and the former Soviet Union. In Cuba, for example, Chinese intelligence officials are helping Cuba build a communications facility, he said.

"They're using Panama as a staging area for the region," Mr. Santoli said. "They're doing a massive amount of construction, a lot of investment. Literally hundreds of mainland Chinese are moving into Panama at all levels."

The Miami Herald on Monday quoted Panama's ousted intelligence chief as accusing his country's president, Ernesto Perez Balladares, of personally demanding visas for 140 Chinese immigrants.

The newspaper said the U.S. Justice Department is investigating a scheme in which Chinese immigrants paid \$15,000 each for visas to use Panama as a staging area for illegal entry into the United States.

The Panama debate comes amid broader questions about China's strategic intentions and criticism of President Clinton's pro-Beijing policies from both Democrats and Republicans.

Military experts say a pattern of Chinese actions reveals a long-range strategic plan to dominate Asia and exert influence worldwide. The moves include its forays in Panama, its failed attempt to take over the old Long Beach, Calif., naval base, its suspected spying at U.S. nuclear labs, its illegal injection of campaign cash into Democratic Party coffers and its increased military spending, especially on nuclear weapons.

Reporting on a trip he and outside experts made to Panama in June, Mr. Santoli wrote in a report, "The delegation was concerned about the growing presence of communist China directly at the canal and in the region. Panama has become the central base of operations for communist China in Latin America."

Mr. Santoli said a Hutchinson subsidiary in Panama, Panama Ports Co., is partly owned by China Resources Enterprise, the commercial arm of the Chinese Ministry of Trade.

The Senate Governmental Affairs Committee has identified the Ministry of Trade as a conduit for "espionage -- economic, political and military -- for China."

Mr. Santoli said Li Kashing, chairman of Hutchinson, has served as a middleman for PLA dealings with the West, including satellite purchases from Hughes Corp.

Some downplay potential problems with Hutchinson's role in canal operations. For example, a former staffer to Sen. Jesse Helms, North Carolina Republican, issued a report in 1997 dismissing the company as a security threat.



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