

PC Answers on Panama Canal

By J. Michael Waller

Administration witnesses take refuge in ignorance during Senate hearings called to investigate Insight's reporting on Red Chinese over the ports of the Panama Canal.



PHOTOS BY KENNETH LAMBERT

Four administration witnesses assured the Senate Armed Services Committee on Oct. 22 that a Chinese company controlling ports at both ends of the Panama Canal poses no security problem to the United States. Confidently and with a whiff of condescension they dismissed concerns that Hutchison Whampoa, the Hong Kong-based conglomerate whose chief executive officer is a prominent cog in the economic machinery of Communist China, could be used to the detriment of U.S. interests in the waterway.

Then, toward the end of the four-

Testimony: John Warner, left, and Lott listen to Weinberger's concerns.

hour hearing, New Hampshire Sen. Robert C. Smith, an independent, asked them the killer question: "Do you believe the People's Republic of China uses commercial enterprises to advance their military interests?"

"I don't know," confessed Assistant Secretary of Defense Brian E. Sheridan.

"I don't know," echoed Alberto Alemán Zubieta, the Panamanian administrator of the Panama Canal Commission, whom President Clinton tapped

to run the waterway until 2005.

"I don't know enough about it," admitted Joseph W. Cornelison, the U.S. deputy administrator of the commission.

"I have no basis for knowing that," replied Principal Deputy Assistant Secretary of State for Western Hemisphere Affairs Lino Gutierrez.

Never mind that all had just testified unequivocally that suspicions were groundless that Hutchison Whampoa was being used by the People's Republic of China, or PRC. Only Gen. Charles E. Wilhelm, the Marine commander in chief of the U.S. Southern Command, or SOUTHCOM, answered affirmatively. And even he equivocated with a political: "I think so."

It was the most telling moment of the hearing. All the carefully worded testimony of these political appointees crumbled around them. On the Monday after this Friday hearing on Chinese operations in Panama, former CIA director James Woolsey appeared before the House International Relations Committee, and was sworn; he then compared Clinton China policy to the French and British policy toward Hitler at Munich.

What is going on here is recognized from Capitol Hill to the White House as very serious. It began when Senate Majority Leader Trent Lott of Mississippi read an *Insight* story about mainland Chinese interests filling the vacuum being left by departing U.S. forces in Panama ("China's Beachhead at Panama Canal," Aug. 16) and forwarded the article to Defense Secretary William Cohen, voicing his misgivings and asking Cohen to address the issues raised. "I didn't hear from him for a month," Lott said, "so that's when I did ask that this committee have a hearing so that we could get a variety of people to participate and to address the concerns."

But the Clinton administration pooh-poohed Lott's unease from the start, first in a set of coordinated news briefings from the White House, State Department and Pentagon and again just before the Senate hearing when White House Spokesman Joe Lockhart belittled the concerns as "silly."

Sen. Carl Levin of Michigan, the only Democrat to attend the hearing, denounced some of the worries voiced by Lott and others as "so factually wrong and so inflammatory that they need to be confronted." Even so, he conceded, "I would be very concerned if our ships could be denied passage through the canal by an arm of the PLA [People's Liberation Army]. I'd be very concerned about that."

over 100 candidates for president... [Just two third-party candidates] were on enough ballots to qualify for federal funds. The media is focusing on Buchanan when the issue is much broader than one person — whether it is a John Anderson or Eugene McCarthy or a Ross Perot.”

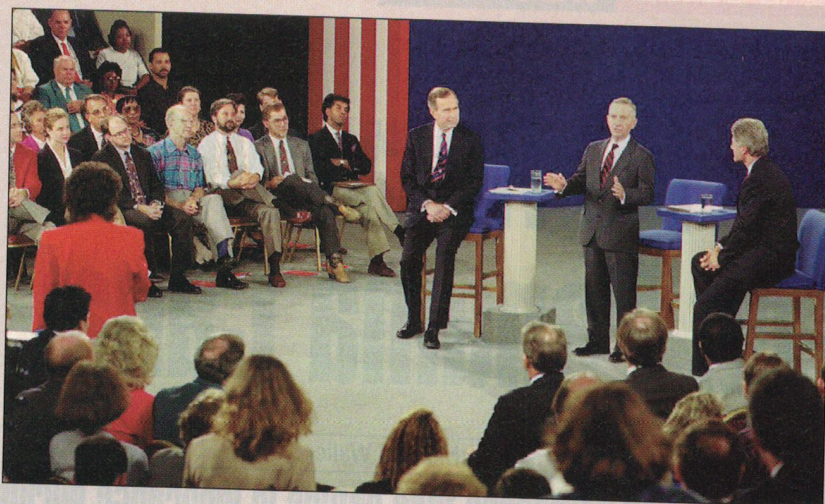
Certainly the question of who participates has important political implications. Exit-poll data, cited by the CPD, found that in the 1988 and 1992 elections more voters based their balloting decisions on candidate performance in presidential debates than on any other single factor.

But the current CPD procedure for selecting participants is highly subjective, based loosely on 11 criteria ranging from qualification for federal funds to newsworthiness. Minow's report calls for a “standard, objective system” of selection and concludes that the best measure would be a combination of ballot position in a minimum number of states, fund-raising success of a minimum amount and a minimum standing in public-opinion polls. He writes, “These issues are too important to be left to the heat of battle. As a policy matter, the criteria should not be subject to the kind of ad hoc, discretionary judgments that inevitably yield disputes and recriminations regarding the fairness of heat-of-the-moment decisions.”

In fact, Reform Party partisans in Virginia are asking the Federal Election Commission, or FEC, to take the decision out of the CPD's hands and require that all presidential candidates who have spent \$500,000 campaigning and have a mathematical chance of winning the office based on state ballot presence be included in television debates. The FEC has not yet decided whether it will act on the request.

Already regulations adopted in 1995 under the Federal Election Campaign Act require that debate broadcasters show pre-established objective criteria for selecting participants. If they fail to do so, the airtime they give candidates can be categorized as a campaign contribution.

Broadcasters say it would be a gross violation of press freedom for a government bureaucracy to preempt their editorial judgment as to whom they invite to participate. And a 1998 Supreme Court ruling backs them up. In *Arkansas Educational Television Commission vs. Forbes*, Ralph Forbes, an independent who ran for an Arkansas congressional seat, charged that his exclusion from debates on AETC, a public-television channel, constituted a violation of his First Amendment rights. The Supreme Court ruled



When the Actors Face Off

One of the big concerns of the Commission on Presidential Debates, or CPD, in setting debate rules is how to keep the leading candidates happy. Underdogs are eager for the publicity and credibility to be gained by sharing the platform with a front-runner on almost any terms. “Whoever thinks that they’re ahead in the race thinks that they are in a stronger bargaining position. You’ve got to remember that you can’t force someone to debate,” says Newton Minow, who negotiated the Ford/Carter debate in 1976 and the Reagan/Carter debate in 1980.

And however much viewers may claim otherwise, says presidential historian Al Felsenberg, the TV “debates are watched more for the unexpected soundbite or stylistic points than for content.” People remember, for instance, that while the contest was judged a Richard Nixon win on radio, on television his haggard face and 5 o’clock shadow were overwhelmed by John F. Kennedy’s cool tan and easy carriage back in 1960 in the first televised presidential debate. President Ford’s statement 16 years later that Poland was not under Soviet domination cost him a debate with Jimmy Carter.

In 1992’s three-way debate, the tall stools that fit Bill Clinton and George Bush left the feet of the vertically challenged Ross Perot dangling

awkwardly like a child’s. The story goes that the other campaigns planned it that way.

Days before debating, most candidates are sequestered away to study briefing books and to practice. In 1996, for example, Clinton went to Chautauqua, N.Y., with a contingent of debate staffers for three days of mock debates on a set carefully staged to simulate conditions of the actual debate platform. Sen. George Mitchell of Maine played the part of Bob Dole as staffers grilled, critiqued and even briefed this shadow opponent on the questions so Clinton would face the most difficult odds possible before going live.

The most marked trend in the evolution of the debates, says Aram Bakshian, former chief of the Reagan speech shop, is just how over-prepared the candidates have become. Less and less of their character, personality and passion seeps through the cosmetic shell created by their teams, he says.

Under the circumstances, is there still value in the debates? “Not much positive good can come out of it,” says Bakshian, “and sometimes a clever person who may not be the worthier person can manipulate it for their advantage. Still, it’s good to see rivals face to face, to take their measure together, like seeing two prize fighters you’ve watched separately step into the ring together.”

—AH

instead that it is the First Amendment right of broadcast agencies not to include every legally qualified candidate in televised debates so long as exclusions are based on an objective measure of a lack of public support.

Richard D. Marks of Vinson and Elkins, LLP, counsel for the prevailing Arkansas Educational Television Commission, says: “The Forbes case will make a tremendous difference in the way debates are carried out. Forbes makes it clear that editorial decisions

will be left to broadcasters. They will not be subject to being influenced by the kind of lawsuits that minor candidates tend to rely on to try to force their way into debates.... Candidates who are less successful shouldn’t expect to be invited to debate people like Bush or Bradley who have been successful in their campaigns before any debates were held, and if there is any doubt about that proposition, the Forbes case puts it to rest.”

Don’t count on it.

describes the threats that confront the region. I think Panama is particularly vulnerable because the canal is there." Rohrabacher testified that American companies bidding for the ports "were outmaneuvered at the last minute by under-the-table payoffs" to Panamanian officials. But administration witnesses refused to acknowledge any corruption in the bidding process that forced a U.S. company to withdraw its bid and allowed Hutchison Whampoa to take control of the strategic ports.

In his prepared remarks, Sheridan described the terms of the Hutchison Whampoa deal in detail, making no mention of allegations of rigging or corruption or the formal protest by U.S. Ambassador to Panama William Hughes. Only after Sen. Jeff Sessions, an Alabama Republican, asked the State Department's Gutierrez point-blank about whether the bidding process was fair did Gutierrez admit that others had described the bidding as "unusual and unorthodox." When pressed further, he shrugged, "There were unusual circumstances."

So if the bidding "was not above-board," Sessions followed, "should it be reopened?" Gutierrez indicated that it should not. But Weinberger said suspicions remain. The gap between the losing U.S. and Japanese bids and that of Hutchison Whampoa is so large that "it raises the question of whether or not they had any other reasons for wanting to get this rather than the purely

commercial. I have no evidence that they did," said Weinberger. "I simply think that that's one of the circumstances that we need to consider."

If what administration officials say is true, that they are receiving no intelligence indicating Beijing might have designs on the Panama Canal, then the intelligence community either is too crippled by cuts, isn't being tasked or isn't doing its job, congressional staffers tell **Insight**.

In an orchestrated rebuttal to Lott's concerns raised by the August **Insight** article, the White House, the Clinton State Department and the Pentagon said flatly that China's control of ports at both ends of the Panama Canal poses absolutely no threat to U.S. security interests there. At the October hearing, Panama Canal Commission Deputy Administrator Cornelison told senators that he saw "no national-security information presented by any authoritative source." Gutierrez claimed that the U.S. intelligence community has led the State Department to conclude that concerns about a Chinese threat to U.S. interests in Panama are baseless.

How can this be? Wilhelm testified that U.S. intelligence capabilities in Panama have been degraded severely due to the near-total pullout of U.S. forces and that they need to be rebuilt. In addition to losing 11,000 troops on the ground who served as "22,000 eyeballs that had the capacity to provide

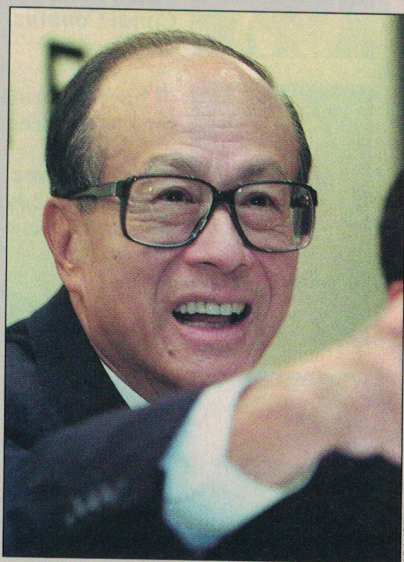
us intelligence about Panama," the United States lost other key intelligence capabilities, according to Wilhelm. The general said that since Clinton became president in 1993, "the number of aerial platforms available to [the Southern Command] for intelligence collection has declined by 85 percent." He recommended that the United States "ratchet up our HUMINT [human-intelligence] capabilities and our signals-intelligence capabilities in addition to imagery in Panama."

As far as SOUTHCOM was concerned, Wilhelm said, "I'm not sure we have the assets or the resources that we need right now" for timely and accurate intelligence in Panama.

What is lacking, say insiders, is the will to act and to draw on U.S. intelligence assets in China. U.S. Embassy sources in Panama confirm to **Insight** that there has been no systematic collection of intelligence on PRC activity relating to the canal.

Meanwhile, Beijing's intelligence capabilities in Panama are growing. More than 15,000 Chinese nationals have landed in Panama in recent years via illegal smuggling rings run by the PLA, according to a recent *Miami Herald* investigation by Glenn Garvin. Weinberger voiced concern that "any company, Chinese or anything else, acquiring the rights that they have will have an enormous intelligence platform — a basis for gathering intelli-

Li Ka-shing/PRC Axis Tagged by Rohrabacher



Li: The billionaire and Panama Canal gatekeeper is part of Beijing's military-economic machine.

"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...."

"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 Corp., 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 Corp. 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 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 others, the People's Liberation Army created the Poly Group, with CITIC funding, for international arms trading...."

"Li is also a director of the giant Communist Chinese shipping firm COSCO, which in addition to commercial transport, acts as the merchant marine for the Chinese military.... 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...."

"The thin line between the PRC government and private companies is blurred ... only a fool would ignore the danger."

— **Rep. Dana Rohrabacher,**
testimony before the Senate Armed
Services Committee

So is the Senate getting all the facts? Even though the hearing was called to focus on the Red Chinese company contracted to run the Panama Canal, it failed to call a single expert on the Chinese military, Chinese geostrategy or anything related to China. That may explain why, following the public hearing, senators and staff retreated to the sealed quarters of the Select Committee on Intelligence hearing room for a classified session closed to the public. At first, according to an Armed Services Committee notice, staffers holding low-level secret clearances could attend. But suddenly it was decided that only staff with top-secret clearance for compartmented, code-word intelligence would be admitted. This move meant that senators' savvy personal aides were barred, as only a few staffers of the full committee are allowed such clearance. "It meant we could not be there to help our senators get the appropriate questions in," complained an aide.

Bear in mind that Assistant Defense Secretary Sheridan said he wouldn't answer questions about whether Beijing would receive significant intelligence capabilities in Panama except in the closed session.

The successful attempt to limit Senate access to the facts follows the administration's success earlier this year in suppressing on national-security grounds most of the Cox report, the June findings of a bipartisan House panel led by Rep. Christopher Cox, a California Republican, to investigate the transfer of U.S. defense technology to Beijing.

Was there a need to hide behind the national-security cloak to answer the question about whether Beijing uses private companies to advance its military interests? "Perhaps the senators should have read the Cox report," a Capitol Hill staffer told *Insight* after the hearing. Chapter 1 of the report's unanimous findings is devoted to how Beijing uses Chinese companies to advance its military interests.

"The political, governmental, military, and commercial activities of the People's Republic of China," the Cox report begins, "are controlled by three directly overlapping bureaucracies: the Communist Party, the State, and the People's Liberation Army. The PRC Constitution asserts supremacy of the Communist Party over all other government, military and civilian entities.... This policy ... holds that military development is the object of general economic modernization, and that the CCP's [Chinese Communist Party's] main arm for the civilian econ-

omy is to support the building of modern military weapons and to support the aims of the PLA."

"It is essential to look at the Chinese role in Panama as part of a larger strategic picture," Rep. Dana Rohrabacher, a California Republican, told the Senate committee. "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 Communist Chinese bases have been established 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 Spratly Islands; the central Pacific, with a major satellite tracking station on Tarawa; and the coast of Hawaii, where Beijing is operating a major ocean-mining tract to which nobody is paying attention.

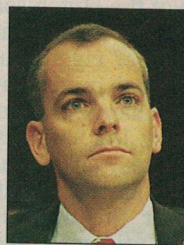
"In addition to a growing commercial prowess controlling ports in Vancouver, Canada, and in the Caribbean, China recently completed military/intelligence agreements with Cuba to build communications-intelligence facilities. The Cuban facility enables the monitoring operations of the U.S. Atlantic fleet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

Former defense secretary Caspar Weinberger testified that when he served under President Reagan, Beijing primarily was interested in local defense against the Soviet Union, with which it shared an 1,800-mile border. But in recent years, he said, "the fact of the matter is that if they are aggressively now trying to take an aggressive and influential and offensive role, they would certainly be interested in naval choke points and naval facilities throughout the world. And there is no more strategic one, there is no bigger choke point, so to speak, than the Panama Canal. So, it would not be illogical for them to try to add to their capabilities in that region, and that's what I worry about their having done."

One of Panama's greatest vulnerabilities is corruption, what Wilhelm called "the single word that best

'Do you believe the PRC uses commercial entities to advance its military interests?'

— Sen. Robert C. Smith



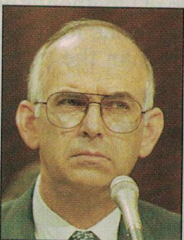
"I don't know."

Brian E. Sheridan
Assistant Secretary of Defense



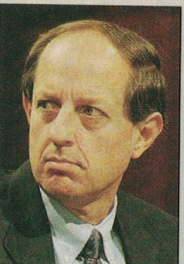
"I don't know."

Alberto Aleman
Administrator, Panama Canal Commission



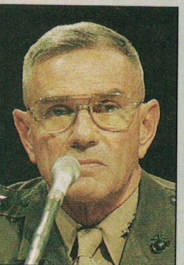
"I don't know enough about it."

Joseph W. Cornelison
Deputy Administrator, Panama Canal Commission



"I have no basis for knowing that."

Lino Gutierrez
Principal Deputy Assistant Secretary of State



"I think so."

Gen. Charles E. Wilhelm
Commander in Chief, SOUTHCOM

gence, for conveying intelligence, for utilizing the very important place in the world that is occupied by the Panama Canal."

The former defense secretary insisted that in a system like Communist China's, "you can take judicial notice of the fact that any Chinese company cannot really take any actions of which the Chinese government disapproves. And any Chinese company cannot refuse to take actions that would be demanded of it by the Chinese government. That is, I think, a simple fact, based on the kind of government that China has, in the absence of a rule of law in that country."

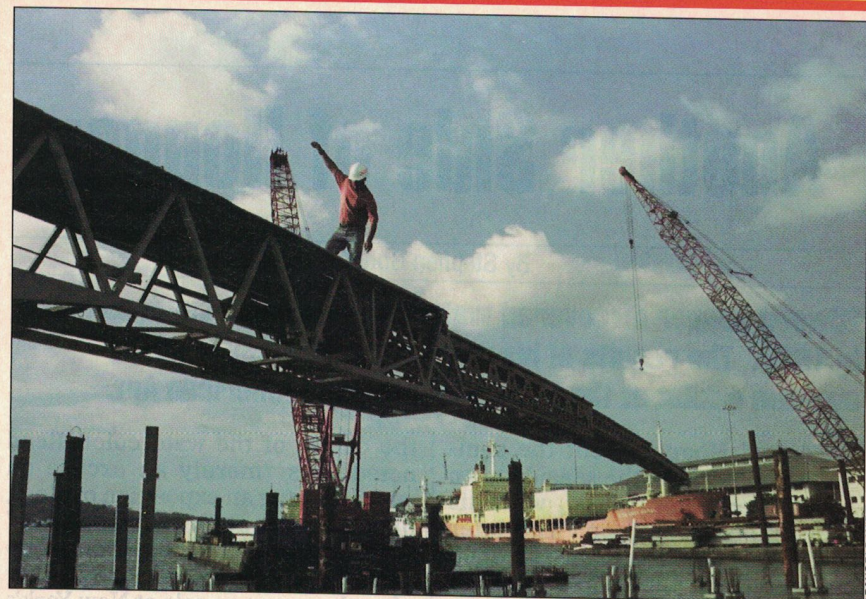
Beijing's geopolitical interests and goals are poorly understood among policymakers. Sessions put a question about this to the Pentagon's Sheridan, who claimed the intelligence community says Beijing has only two geopolitical interests in Panama, and they are strictly diplomatic recognition and a commitment to "free flow of trade." Nothing more.

Sessions: Could Beijing influence Hutchison Whampoa?

Sheridan: "I don't believe, based on briefings, that China is influencing Hutchison Whampoa." He said he wouldn't discuss ties between the company and the Chinese Communists in public but would reserve comment for a classified hearing out of public view.

Sen. Levin counseled his colleagues to follow the "wise advice" of former secretary of state Henry Kissinger, who turned his U.S. and Communist Chinese government connections into a fortune by representing companies currying favor with Beijing, "that we should not invent imaginary dangers of foreign influence threatening the security of the canal." Yet, as Richard Bernstein and Ross H. Munro, former Beijing and Hong Kong bureau chiefs respectively for *Time* magazine, note in their 1997 book, *The Coming Conflict With China*, "What Kissinger does not say as he expresses his views on American China policy is just how much he stands to profit himself from the very policies he urges the [U.S.] government to adopt." Without questioning his motives, they argue that the inherent conflict of interests has clouded reasoned political debate.

Among Kissinger's Chinese business partners, according to the former *Time* reporters, is the China Interna-



Digging in: Hutchinson Whampoa builds its port in Panama; its nautical Hong Kong headquarters, left.

Administrator Cornelison, a Clinton appointee, demolished earlier assertions by the White House and State Department that China lacked the ability to threaten the canal. "If the Communist Chinese wanted to sabotage the canal, they could do so today by sinking a ship in the middle of the canal," he told senators. "They could order the master of their vessel to sabotage the ship and sink it."

But Lott, Weinberger, Rohrabacher and other responsible observers are more concerned about the role Panama plays in Beijing's long-term strategy, or in Weinberger's words, "the worst-case scenario."

Even here, State's Gutierrez was careful. He said he sees "no imminent threats" to canal security, exactly what Weinberger himself said. Yet the diplomatic political appointee did everything he could in front of the senators to downplay and refute Republican unease about Beijing's new strategic beachhead in Panama.

After leaving the hearing Gutierrez told a foreign reporter a different story. In the drab foyer outside the expansive committee hearing room, a Latin American television journalist asked him on-camera, "Don't you think the Republican concerns have merit?" Gutierrez replied in Spanish, "We take defense of the canal very seriously. In this case we haven't seen any evidence of any threat by Beijing toward Panama, but we have to take it into account and keep watching." Which is exactly why Lott called the hearing in the first place.

tional Trust and Investment Corp., or CITIC, which the Cox report calls "the most powerful and visible corporate conglomerate in the PRC" and which works closely with the military-industrial complex there. Hutchison Whampoa Chairman Li Ka-shing is a founding board member of CITIC.

The *Wall Street Journal's* John Fialka asked Kissinger to respond to allegations that his business interests in Beijing pose a conflict of interest to his public-policy recommendations as a statesman in the United States. It would be "outrageous," Kissinger thundered, to think that "I would take a public position to curry favor with the Chinese government for clients."

Bernstein and Munro comment: "What is dubious is the double role played by figures like Kissinger ... who use their prestige and influence both publicly and privately to advance policies from which they profit mightily" by fostering "a vision of China as an essentially benign, peaceable and defensive country whose long-term interests and those of the United States are one and the same."

Panama Canal Commission Deputy