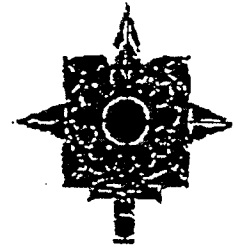


~~SECRET NOFORN~~ *unclas EW000121*



**DCSINT  
USARSO  
INTELLIGENCE UPDATE**



**Period of Report: 22 - 24 April 1998**

Information contained in this summary is initial reporting of items pertinent to the USARSO  
AO/AOR

**CURRENT DEPLOYMENTS**

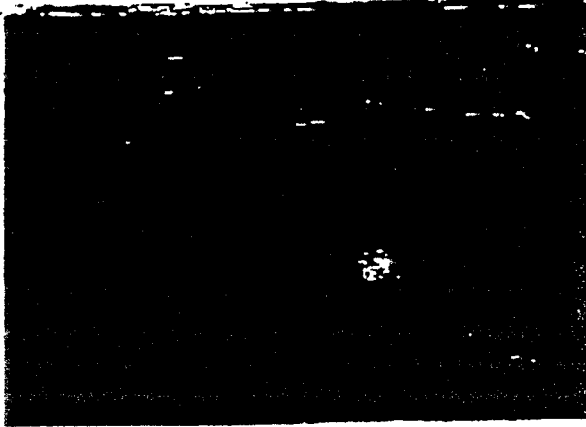
**PANAMA**

- CHINA AWAITS U.S. DEPARTURE (U) 221333Z APR 98

~~SECRET NOFORN~~ *unclas EW 000121*

PANAMA

- China Awaits U.S. Departure (U)



-- (U) According to a DIA Intelligence Information Report, Li Ka Shing, the owner of Hutchison Whampoa Ltd. (HW) and Cheung Kong Holdings Ltd. (CK), is planning to take control of Panama Canal operations when the U.S. transfers it to Panama in Dec 99.

-- (U) Li is directly connected to Beijing and is willing to use his business influence to further the aims of the Chinese government. He has been positioning his son, Victor Li, to replace him in certain CK and HW operations such as HW's Hong Kong International Terminals (HIT).

-- (U) Due to a decline in raw materials from within China, freight rates dropping due to excess tonnage in the market, and the current Asian financial crisis, corporate revenues should decline. Consequently, China is looking to expand into new markets. (DIA, 221333Z APR 98)

<sup>BW 00021</sup>  
(C) **Analyst Comment:** Li's interest in the canal is not only strategic, but also a means for outside financial opportunities for the Chinese Government. China, the canal's third largest user, consequently has a significant amount of influence. If China were to assume control of the canal operations it would have to abide by the neutrality requirements of the Torrijos-Carter treaties.



# Intelligence Assessment

26 October 1999

## Panama: People's Republic of China Interests and Activities (U)

(S) The Ports of Balboa (Pacific) and Cristobal (Atlantic) were leased for 25 years, with an option to exercise 25 years, to the Panama Ports Company (PPC). There is no direct ownership between the People's Republic of China (PRC), PPC or its parent company Hutchison Whampoa.

[REDACTED]

(S) Summary: The PPC is a subsidiary of Hong Kong-based Hutchison Whampoa

[REDACTED]

(C) Discussion: The PPC's contract includes tug boats operations, ship repair, and pilot services within ports facilities. Hutchison Whampoa also may plan to lease a limited portion of Rodman Naval station as well as some storage space at the reverted Albrook Air Station. Neither Hutchison nor PPC are involved directly with day-to-day operations of the Panama Canal at this time.

(S) Any potential threat posed by the presence of a pro-Chinese corporate entity in the Panama Canal zone is indirect. It is unlikely that PPC officials or employees would overtly sabotage or damage the canal on orders from Beijing, as it would be contrary to their own financial interests and would undoubtedly elicit an immediate response from the US and the international community.

[REDACTED]

5 USC 552 (b) (1) See 1.5(c)

(U) Hutchison Whampoa's owner, Hong Kong tycoon Li Ka-Shing, has extensive business ties in Beijing and has compelling financial reasons to maintain a good relationship with China's leadership.

~~(S)~~ [REDACTED]

~~(S)~~ [REDACTED]

~~(S)~~ Economic influence equals political leverage and in some Latin American countries PRC and Taiwan competition for influence is running head-to-head. Currently, 16 of the 30 countries worldwide which diplomatically recognize Taiwan are located in Latin America.

[REDACTED]

~~(S)~~ [REDACTED]

~~(S)~~ [REDACTED]

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[REDACTED]

(C) [REDACTED]

For example, Hutchison Whampoa could threaten to shift some business from Panama to its Free Trade Zone in the Bahamas, thus giving the company additional leverage over the Panamanian government.

(C) Hutchison's containerized shipping facilities in the Panama Canal, as well as the Bahamas, could provide a conduit for illegal shipments of technology or prohibited items from the West to the PRC, or facilitate the movement of arms and other prohibited items into the Americas.

[REDACTED]

(S) [REDACTED]

By: Mr. Julio A. Rivas, DSN 567-2155  
DOI: 26 Oct 99

Classified By: Multiple Sources  
Declassify On: X1  
Coordinated with: USDAO Panama City  
Sources: [REDACTED]

USDAO (b)(1) sec 1.5 (c)