

**TESTIMONY OF MR. JOSEPH W. CORNELISON
DEPUTY ADMINISTRATOR OF THE PANAMA CANAL COMMISSION**

**BEFORE THE
COMMITTEE ON ARMED SERVICES
OF THE
UNITED STATES SENATE**

**FRIDAY, OCTOBER 22, 1999
9:30 A.M.
216 HART SENATE OFFICE BUILDING**

GOOD MORNING, MR. CHAIRMAN. MY NAME IS JOSEPH CORNELISON AND I AM THE DEPUTY ADMINISTRATOR OF THE PANAMA CANAL COMMISSION. SINCE 1990, AS PROVIDED IN THE PANAMA CANAL TREATY, THE DEPUTY ADMINISTRATOR IS THE HIGHEST-RANKING U.S. CITIZEN IN THE CANAL MANAGEMENT.

I WELCOME THIS OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO ADDRESS SQUARELY THE ISSUE OF CANAL SECURITY AND ESPECIALLY TO ADDRESS THE MATTER OF THE PORT CONCESSIONS THAT HAVE BEEN THE OBJECT OF A LOT OF DISCUSSION. I WILL BE VERY BRIEF BECAUSE I BELIEVE THAT THE ADMINISTRATOR LAID OUT THE FACTS VERY WELL FOR YOU.

I ECHO THE ADMINISTRATOR'S WORDS ABOUT THE ROLE THE CONGRESS AND THIS COMMITTEE HAVE PLAYED IN THE TRANSITION. YOUR QUIET AND STEADY SUPPORT HAS MADE A BIG DIFFERENCE IN HOW CONFIDENTLY WE ARE HEADING INTO THIS TRANSFER.

I DID NOT IMAGINE THAT THE PORT CONCESSIONS WOULD HAVE BEEN THE OBJECT OF THIS MUCH WIDESPREAD CONCERN, AND I BELIEVE THIS FORUM WILL BE CRITICAL IN GETTING THE FACTS BEFORE THE CONGRESS AND THE AMERICAN PEOPLE.

I HAVE HAD FAMILY, FRIENDS AND A NUMBER OF JOURNALISTS ASK ME IF THE CHINESE HAVE REALLY TAKEN OVER THE CANAL. THIS STORY HAS POPPED UP REPEATEDLY THE PAST SEVERAL YEARS AND I MUST ADMIT TO SOME FRUSTRATION WITH THE INCORRECT INFORMATION AND MISPERCEPTIONS CONCERNING THIS ISSUE THAT KEEP GETTING RECYCLED. THE FRUSTRATION IS BECAUSE THE STORY HAS DETRACTED FROM THE OUSTANDING EFFORTS OF MANY PEOPLE, BOTH U.S. AND PANAMANIAN, WHO HAVE POURED THEIR HEARTS AND CAREERS INTO MAKING THIS TRANSITION WORK IN A WAY WE ALL WILL BE PROUD OF. BEFORE THIS MORNING IS OVER, I TRUST WE WILL BE ABLE TO CLARIFY FOR THE CONGRESS AND THE AMERICAN PUBLIC WHAT HAS AND HAS NOT HAPPENED IN PANAMA CONCERNING THIS MATTER.

A MAJOR RESPONSIBILITY OF THE UNITED STATES UNDER THE PANAMA CANAL TREATIES, NOW AND AFTER 1999, IS TO ENSURE THE CANAL REMAINS OPEN AND NEUTRAL IN ITS OPERATION. THERE ARE MANY OFFICIALS IN VARIOUS OTHER U.S. AGENCIES WHOSE JOBS ARE TO ASSESS THE THREATS POSED TO OUR NATIONAL SECURITY BY EVENTS AROUND THE GLOBE. WE AT THE CANAL ARE ALWAYS HIGHLY ATTENTIVE TO WARNINGS FROM THOSE AGENCIES CONCERNING THE EXISTENCE OF SUCH THREATS, BUT FOR THE RECORD, DURING THE LONG COURSE OF THIS CONTROVERSY, THERE SIMPLY HAS BEEN NO NATIONAL SECURITY ISSUE PRESENTED TO US BY ANY AUTHORITATIVE SOURCE.

AS A RETIRED COLONEL AND VIETNAM VETERAN WHO SERVED IN THE ARMY

FOR 26 YEARS, I THINK I COULD DETECT A THREAT IF IT WERE IN THE MAKING RIGHT IN FRONT OF MY EYES, AND AS THE SENIOR U.S. CITIZEN ON THE GROUND AT THE CANAL, I WOULD SEE IT AS MY RESPONSIBILITY TO RAISE THE RED FLAG, IF I MAY USE THAT TERM, IF INDEED THERE WERE A THREAT. I HAVE NOT DONE SO, BECAUSE BY ANY REALISTIC ANALYSIS, HUTCHISON'S OPERATION OF THE PORTS SIMPLY DOES NOT CONSTITUTE A THREAT. THAT IS MY CONCLUSION NOT ONLY FROM MY KNOWLEDGE OF THE CONCESSION PROVISIONS AND APPLICABLE PANAMANIAN LAW, BUT ALSO FROM MY INVOLVEMENT IN THE COORDINATION OF HUTCHISON'S ACTIVITIES UNDER THE EXISTING LEGAL REGIME.

THE CANAL CONTROLS THE FLOW OF SHIPS INTO THE PORTS, NOT VICE VERSA. THAT IS THE CASE TODAY AND WILL REMAIN THE CASE WHEN PANAMA TAKES OVER.

LET ME START WITH THE COMPANY THAT WON THE CONCESSION. THIS IS NOT A COMPANY THAT SUDDENLY APPEARED ON THE WORLD SCENE WITH MYSTERIOUS ORIGINS. THERE ARE MANY PUBLIC SOURCES OF INFORMATION ABOUT HUTCHISON PORTS, LTD. IT IS A UNIT OF THE CONGLOMERATE HUTCHISON WHAMPOA, LTD., AND IS SAID TO BE THE WORLD'S LARGEST PRIVATELY OWNED CONTAINER PORT OPERATOR. ACCORDING TO THE JOURNAL OF COMMERCE, HUTCHISON HAS 18 LOCATIONS IN ASIA, EUROPE AND LATIN AMERICA AND HANDLES MORE THAN 10 PERCENT OF THE WORLD'S CONTAINER THROUGHPUT. WE HAVE SIMPLY SEEN NOTHING THAT PRESENTS

ANY INDICATION OF A SECURITY THREAT POSED BY THE PRESENCE OR OPERATIONS OF HUTCHISON IN THOSE REGIONS. TIME MAGAZINE HAS CHARACTERIZED HUTCHISON AS AN EXCELLENT COMPANY AND ONE OF THE LEADERS IN ITS FIELD. IN MY EXPERIENCE IN THE MARITIME ARENA, I HAVE NEVER HEARD FROM ANY INDUSTRY SOURCE ANYTHING SINISTER OR QUESTIONABLE ABOUT HUTCHISON'S ACTIVITIES OR ITS MOTIVES.

THE FEDERAL MARITIME COMMISSION LOOKED INTO THIS ISSUE A COUPLE OF YEARS AGO AND CONCLUDED THAT THE AWARD TO HUTCHISON DID NOT CREATE CONDITIONS THAT MIGHT IMPEDE, DISADVANTAGE OR HINDER U.S. OCEAN-BORNE COMMERCE. I ALSO HAVE SEEN A REPORT PREPARED BY THE INTER-AMERICAN AFFAIRS STAFF OF THE SENATE COMMITTEE ON FOREIGN RELATIONS, AND IT CONCLUDED THAT HUTCHISON'S DEVELOPMENT OF THE PORTS OF BALBOA AND CRISTOBAL DOES NOT TRANSLATE INTO A NATIONAL SECURITY THREAT.

MY OWN PERSONAL DEALINGS WITH THE SENIOR PEOPLE OF THE PANAMA PORTS COMPANY, THE HUTCHISON SUBSIDIARY THAT OPERATES THE PORTS AT CRISTOBAL AND BALBOA, CONFIRM THESE CONCLUSIONS. I HAVE ATTENDED MANY MEETINGS WITH THEM FOR THE PURPOSE OF ENSURING THAT THEIR PORT OPERATIONS DO NOT INTERFERE IN ANY WAY WITH CANAL OPERATIONS, UNDER THE LICENSING REGIME WHICH THE ADMINISTRATOR EXPLAINED. I HAVE NEVER OBSERVED ANYTHING THAT WOULD LEAD ME TO SUSPECT THAT PANAMA PORTS HAS ANY OTHER AGENDA THAN THE SUCCESSFUL, EFFICIENT AND PROFITABLE OPERATION OF CONTAINER

FACILITIES AT CRISTOBAL AND BALBOA.

THE SIMPLE TRUTH IS THAT HUTCHISON DOES NOT NOW HAVE, NOR WILL IT HAVE UNDER OUR PANAMANIAN SUCCESSOR, ANY ROLE IN THE OPERATION OF THE CANAL, INCLUDING THE TRANSIT OR SCHEDULING OF VESSELS THROUGH THE CANAL. OF THAT I AM EXTREMELY CONFIDENT.

MR. CHAIRMAN, AS I SAID AT THE BEGINNING I APPRECIATE THE COMMITTEE USING THIS OPPORTUNITY TO BEAR DOWN ON THE REAL FACTS OF THE PORT CONCESSION AND ITS IMPACT ON THE CANAL.

MR. CHAIRMAN, I WOULD LIKE TO TAKE PAINS TO EMPHASIZE THAT SECURITY IS A VERY IMPORTANT ISSUE FOR THE CANAL, NOW AND IN THE FUTURE. AS THE ADMINISTRATOR EXPLAINED, RETIRED GENERAL DOWNING HAS BEEN VERY HELPFUL IN HELPING US EVALUATE AND REVISE OUR YEAR 2000 SECURITY PROGRAM. I BELIEVE THE IN-HOUSE CAPABILITIES OF THE PCC AND THE PCA ARE AND WILL BE VERY ROBUST AND COMPREHENSIVE.

I HOPE THAT THE COMMITTEE WILL ALSO TAKE THE OPPORTUNITY TO APPRECIATE AT THIS IMPORTANT POINT IN HISTORY THE ACTIONS OUR GOVERNMENT AND THE GOVERNMENT OF PANAMA AND OUR WORKFORCE HAVE TAKEN TO GIVE THE PANAMA CANAL THE BEST CHANCE FOR LONG-TERM SUCCESS, FOR THE BENEFIT OF THE UNITED STATES, PANAMA, AND WORLD

COMMERCE. THIS COMMITTEE HAS CERTAINLY PLAYED A KEY PART IN THE UNITED STATES' ACTIVE, PRACTICAL AND INTELLIGENT PREPARATION FOR THE TRANSFER. FROM MY VANTAGE POINT, I AM CONFIDENT THAT THE TRANSITION WILL BE A SUCCESS.

THANK YOU. AT THIS POINT, WE WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.