

STATEMENT OF
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BEFORE THE SENATE ARMED SERVICES COMMITTEE

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INTRODUCTION

Mr. Chairman and members of the committee, I am here at your request to address issues concerning the future security of the Panama Canal. As you know, the U.S. military presence in Panama and U.S. control of the Panama Canal end at noon on December 31st of this year. That reality raises legitimate questions about our future security relationship with Panama and our ability to respond effectively to known and unanticipated threats to the Panama Canal.

Let me begin with a quick update on our progress in implementing the Panama Canal Treaty of 1977. Using 1979 as the base year, we have withdrawn 95 percent of our troops (9,500) and have transferred to Panama 90 percent of the acreage (84,098 acres) and 65 percent of the buildings (3,160 buildings) formerly occupied by U.S. forces. In the context of the language of the treaty, we have met fully our obligations for cleanup of ranges. We turned over Fort Sherman and the Pina ranges on June 30th and Balboa West and the Empire ranges on July 28th. Together, these four ranges comprise 55,070 acres of land, to include firing, bombing, impact and maneuver areas. We transferred these four ranges to Panama only after removing over 880 metric tons of ordnance- and non-ordnance related scrap and after destroying 6,600 pieces of live ordnance.

Allow me to turn now to our future security relationship with Panama. U.S. Southern Command plans an assertive engagement effort to achieve shared U.S. and Panamanian security objectives. We will help the Government of Panama develop a national security strategy that will help them establish their own objectives and the means to achieve them. The latter will define the roles and missions of the Panamanian Public Forces (PPF).

Our engagement plan also addresses a current concern of Panama's leaders: national level command and control of the security forces. We will help Panama develop a national level command, control, communication, and intelligence (C3I) system to enhance government responsiveness to national emergencies. We will assist the PPF to develop expertise in emergency and crisis action planning, to modernize their equipment, and to professionalize their security forces. The desired end-state is an effective Panamanian national C3I system and a modernized

PPF capable of providing security for the Canal and playing an appropriate role in meeting common Panamanian and U.S. national security objectives.

THREATS TO THE CANAL

We are not aware of any current internal or external threats to the Panama Canal, and we have no evidence that it has been targeted by terrorists or foreign governments. That said, we believe that the Canal must always be regarded as a potential target for both conventional and unconventional forces given its importance to global commerce and for military transits.

The most likely threats to the Canal are internal and nonlethal. The potential for corruption and watershed mismanagement is real and could negatively impact Canal operations. Each ship transit (there are about 30 transits a day) requires 52 million gallons of fresh water. Deforestation of the Canal through clear-cutting, grazing, or development could threaten the watershed or lead to increased silting, ultimately jeopardizing Canal operations. Labor disputes and civil unrest in Panama could cause work stoppages or slowdowns, that would also adversely affect Canal operations.

Potential future external threats could include a hostile foreign power and/or transnational criminal organizations. Cuba and China have strong economic interests in Panama, but do not pose a threat to the security of the Canal at this time. Cuba operates businesses in Panama to generate hard currency as a means of circumventing the U.S. embargo. China maintains diplomatic relations with 18 countries in the U.S. Southern Command area of responsibility and maintains links with more than 200 commercial entities and joint-venture enterprises in Latin America and the Caribbean. Between 1988 and 1997, China quadrupled its level of investments in the region to \$8.2 billion. In 1997, the Panama Port3 Company, a subsidiary of Hutchison Port Holdings (itself an international division of Hutchison Whampoa), negotiated and executed a 25-year lease with an option to renew for another 25 years to operate the Balboa and Cristobal port facilities at both ends of the Canal.

China's goals in Panama are to ensure unrestricted access to the markets and natural resources of Latin America, and to promote China as a potential political and economic alternative to the U.S. In my view, the impact of Chinese commercial interests in Panama is less a local threat to the Canal, and more a regional threat posed by expanding Chinese influence throughout Latin America.

Transnational crime, especially drug-trafficking organizations, pose a serious threat to the United States, Canada, and other countries of the hemisphere. While illegal commerce in drugs, arms, and aliens threatens the stability of all nations astride the numerous trafficking routes, the most serious threats are to Mexico and Colombia. Transnational crime in Panama will likely increase after the U.S. withdraws, but presently, there is no identified threat to Canal operations from transnational criminals.

Instability in Colombia poses a localized threat to Panama's sovereignty. The threat is greatest on Panama's eastern border within the Darien Province. For years, the Revolutionary

Armed Forces of Colombia (FARC) have used this province as a safe-haven, to rest and re-supply. The Panama National Police lacks the capability to oust the FARC and generally avoid confrontations. Localized violence occurs when armed paramilitary forces from Colombia pursue the FARC into Panama and terrorize local Panamanians accused of cooperation with the FARC. Other FARC supporters are scattered around Panama, but pose no identifiable or verifiable threat to Canal operations or to the Government of Panama.

CAPABILITIES AND PLANS TO RESPOND

Articles IV and V of the Permanent Neutrality and Efficient Operation of the Panama Canal Treaty declare the U.S. and Panama responsible for ensuring the permanent neutrality of the Panama Canal. In addition, The Chairman of the Joint Chiefs of Staff has assigned the mission of defending the Panama Canal to the U.S. Southern Command. We are prepared to act either unilaterally or jointly with the Panama Public Forces to fulfill these responsibilities.

The U.S. Southern Command recently completed FUERTES DEFENSAS, a three-phased, computer-assisted exercise to evaluate our ability to respond to a threat to the Panama Canal. This unilateral exercise assumed that no U.S. forces would be forward deployed in Panama. To enhance U.S. and Panamanian cooperation, future exercises will include participation by the PPF in all phases of planning and execution. To ensure future safe passage of high value transits through the Canal, we are examining new alternative approaches, all of which involve cooperation with the Panamanian Public Forces Maritime Service, their Coast Guard equivalent.

We are also in the final stages of revising our contingency plan for the defense of the Panama Canal. This revision calls for the establishment of a Joint Task Force using forces based in the U.S. We will continue to meet all U.S. obligations under the Treaties and ensure the permanent neutrality and safe operation of the Panama Canal.

CONCLUSION

The Government of Panama's capability to provide effective security for threats against the Canal will determine our future bilateral security relationship. Based on our on-going assessment of Panamanian security requirements, we strongly support increased security assistance funding to modernize the PPF and to build a national command and control, communications, and intelligence system. We plan to intensify our engagement with the PPF to help them safeguard the neutrality and security of the Canal. I appreciate your concern for the future security of the Panama Canal and your interest in our efforts to enhance bilateral relations with Panama, and the capability of its security forces to defend the Panama Canal.