

Profile Result

Cheung Kong Holdings

Last Updated: June 06, 2009

China's government and its military seem to have unfettered access to this \$60 billion conglomerate that holds contracts in U.S. homeland security – including critical nuclear screening of Miami-bound cargo – and controls strategically crucial port operations at both entrances to the Panama Canal.

The company is owned by billionaire Li Ka-shing, and it is Li who is at the heart of most security and intelligence concerns about the company. Military intelligence reports have said that Li allows China to use his companies for espionage, and some of his businesses have been fronts for the military.

China's autocratic government and its military have frequently posed security threats to the United States. In June 2007, the Chinese military hacked into the computer network of the Pentagon and launched a cyber attack on it, forcing the Defense Department to shut it down. A 1999 Congressional investigation revealed that the Chinese government had stolen classified information for at least seven different U.S. nuclear weapons systems, and it had conducted tests using neutron bomb technology it stole from the United States. The Congressman who led that investigation, Christopher Cox (R-California), told CNN: "I can point to no other country that has stolen so much from the United States and then used that information to build weapons pointed at us."

The same year Cox's report came out, the United States tacitly approved a deal to give a Cheung Kong subsidiary control over both entrances to the Panama Canal.

Panama gave the subsidiary, Hutchison Whampoa Ltd., contracts to run ports at both the Atlantic and Pacific points of entry, and it did so shortly before the United States was scheduled to transfer ownership of the canal back to Panama. Though the contracts don't give away the power to decide who sails through the canal, U.S. military officials maintain that an army perched on those ports could

easily seize that authority.

In 1996, China used its state-owned shipping company, China Ocean Shipping Company or COSCO, to try to smuggle 2,000 automatic weapons into the United States. Made by a Chinese government-owned arms manufacturer, the guns were to be sold to California street gangs. The U.S. Customs Service learned of the smuggling, raided the ship, and seized the weapons.

Despite pressure to rescind the treaty handing over the canal, the administration of then-President Bill Clinton transferred the ownership to Panama as scheduled on December 31, 1999.

Hutchison Whampoa also manages the port of Ensenada, Mexico, 68 miles from the California border.

Cheung Kong has a few political connections that could explain how it gained such critical access despite the reservations of the intelligence community. Among them is Richard Perle, assistant secretary of defense under President Ronald Reagan and close adviser to Donald Rumsfeld while he was Secretary of Defense. Perle received \$125,000 from a telecommunications company called Global Crossing Inc., and a promise of another \$600,000, to make sure the federal government approved its sale to Hutchison Whampoa.

Hutchison Whampoa bid for Global Crossing Ltd. in 2002 shortly after it won a \$450 million contract to build a high-speed data network for the Defense Department. The Department of Homeland Security objected to a Cheung Kong company taking over Global Crossing, and the other bidders on the Defense contract filed protests with the Pentagon. Perle at the time was chairman of the Defense Policy Board, which gave him access to classified military information. He had also met with billionaire Saudi arms dealer Adnan Kashoggi, who acted as a middleman during the illegal Iran-Contra arms-for-hostages deal, shortly before the U.S. invasion of Iraq.

Perle was not the only high-ranking official working on behalf of the sale. Former Defense Secretary William S. Cohen sat on the board of Global Crossing, which paid Cohen's consulting group \$500,000 in fees in 2001.

Ultimately, the protests over the sale forced Perle to resign his chairmanship on the Defense Policy Board in March 2003, and the Pentagon shelved the data-network contract. Hutchison Whampoa withdrew its takeover offer after the Committee on Foreign Investment in the United States launched an investigation into the deal.

Singapore Technologies Telemedia eventually bought a controlling stake of Global Crossing, with the blessing of the United States. The Singaporean government holds a 50 percent stake in Singapore Technologies, and an ST executive sits on the board of Hutchison Whampoa.

The 10-year, \$450 million Defense Research and Engineering Network contract went to WorldCom Inc.

Hutchison Whampoa has won lucrative contracts and strategic access under President George W. Bush, as well. In 2006, the Bush Administration awarded a \$6 million, no-bid contract giving Hutchison the responsibility of screening cargo for illicit nuclear material at U.S. ports in the Bahamas, 65 miles from the coast of the United States. That port handled 1,463,000 throughput units of cargo headed for the United States in 2006, a 31 percent increase over 2005.

Pentagon officials believe that, taken together, Cheung Kong's Panama and Bahamas contracts pose a serious national security threat to the United States. "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 People's Republic of China, or facilitate the movement of arms and other items to the Americas," said a 1999 Army intelligence report.

President Bush's brother Neil received a \$2 million consulting fee from Grace Semiconductor, a firm in which Li invested \$90 million.

Marvin Bush, another brother of President George W. Bush, owns a large stake of a California internet services company in which Cheung Kong has invested heavily. The company is Critical Path, and Marvin Bush's firm Winston Partners owns more than 5 million shares of it. Cheung Kong twice rescued financially troubled Critical Path in bailouts worth \$95 million in 2001 and \$43 million in 2003. (Cheung Kong was one of three companies taking part in those transactions.)