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EXAMINING THE PRC'S STRATEGIC PORT INVESTMENTS IN THE WESTERN HEMISPHERE AND THE IMPLICATIONS FOR HOMELAND SECURITY, PART I

HEARING

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION AND MARITIME SECURITY

OF THE

COMMITTEE ON HOMELAND SECURITY HOUSE OF REPRESENTATIVES

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CONTENTS

Page

STATEMENTS

The Honorable Carlos A. Gimenez, a Representative in Congress From the State of Florida, and Chairman, Subcommittee on Transportation and Maritime Security:
Oral Statement 1
Prepared Statement 3
The Honorable LaMonica McIver, a Representative in Congress From the State of New Jersey, and Ranking Member, Subcommittee on Transportation and Maritime Security:
Oral Statement 5
Prepared Statement 6
The Honorable Bennie G. Thompson, a Representative in Congress From the State of Mississippi, and Ranking Member, Committee on Homeland Security:
Prepared Statement 8

WITNESSES

Mr. Isaac B. Kardon, Ph.D., Senior Fellow for China Studies, Asia Program, Carnegie Endowment for International Peace, Adjunct Professor, Johns Hopkins SAIS:
Oral Statement 10
Prepared Statement 12
Mr. Matthew Kroenig, Vice President and Senior Director, Scowcroft Center for Strategy and Security, Atlantic Council and Professor of Government and Foreign Service, Georgetown University:
Oral Statement 31
Prepared Statement 33
Mr. Ryan C. Berg, Director, Americas Program, Center for Strategic and International Studies:
Oral Statement 35
Prepared Statement 37
Mr. Cary Davis, President & CEO, American Association of Port Authorities (AAPA):
Oral Statement 44
Prepared Statement 46

EXAMINING THE PRC'S STRATEGIC PORT INVESTMENTS IN THE WESTERN HEMISPHERE AND THE IMPLICATIONS FOR HOMELAND SECURITY, PART I

Tuesday, February 11, 2025

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON TRANSPORTATION AND
MARITIME SECURITY,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in Room 310, Cannon House Office Building, Hon. Carlos Gimenez [Chairman of the subcommittee] presiding.

Present: Representatives Gimenez, Garbarino, Crane, Biggs, McIver, Kennedy, and Turner.

Also present: Representatives Nunn, and Hernández.

Chairman GIMENEZ. The Committee on Homeland Security Subcommittee on Transportation and Maritime Security will come to order. Without objection, the Chair may declare the subcommittee in recess at any point.

Today's hearings will examine the People's Republic of China's strategic investments in ports across the Western Hemisphere, including the United States and near the Panama Canal, and their broader implications for homeland security.

Without objection, the gentleman from Iowa, Mr. Zach Nunn and the gentleman from Puerto Rico, Mr. Pablo José Hernández are permitted to sit with the subcommittee and ask questions of the witnesses.

I now recognize myself for an opening statement. Good morning. I want to welcome everyone to the first hearing of the Subcommittee on Transportation and Maritime Security in the 119th Congress. As we begin this new Congress, it is only fitting that we turn our attention to one of the most pressing national security threats facing the United States today: the People's Republic of China's growing presence in the Western Hemisphere.

In recent years, the PRC has steadily increased its footprints in key maritime infrastructure across Latin America and the Caribbean, gaining leverage over trade routes, and extending its economic, political, and military influence in our region.

Today's hearing marks the beginning of a serious effort by this subcommittee to assess the scope of Beijing's ambitions and determine what steps must be taken to safeguard the homeland.

President Trump and senior officials in his administration have rightly warned about the security risks posed by Beijing's malign investments and particularly in ports near the Panama Canal, which has long served as an essential artery for global commerce and U.S. naval operations.

Last week in his first foreign trip as Secretary of State, Marco Rubio reinforced that warning during a visit to Panama where he made clear that the PRC's presence near the canal poses an unacceptable risk. These concerns are well-founded.

Through state-owned enterprises such as China Merchants Port Holdings, Hutchison Port Holdings, and China Ocean Shipping Company, COSCO Shipping, the Chinese Communist party, the CCP, has secured access to some of the most strategically significant ports in our region.

Nowhere is this more concerning than at Panama. Approximately 14 percent of all U.S. seaborne trade moves through the Panama Canal, with an even more significant 40 percent of U.S. container traffic transiting it annually.

Hutchinson Ports, a subsidiary of Hutchison Port Holdings, Limited, a Hong Kong-headquartered company with close ties to the CCP, manages container terminals at 2 of the largest ports adjacent to the canal. These container terminals are located at the Port of Balboa on the Pacific side and the Port of Cristobal on the Atlantic side.

This gives Beijing a strategic position over one of the world's most important waterways and provides the CCP with an opportunity to exert influence over commercial shipping, gather intelligence on American and allied vessel traffic, and potentially restrict the mobility of our Navy in a time of crisis.

While Panama has recently announced an audit of Hutchinson Ports, that is simply not enough. We don't need an audit. We need action. The United States cannot and will not accept the scenario where a foreign adversary, one that openly seeks to undermine our global standing, controls infrastructure critical to U.S. homeland security, military readiness, and economic stability.

For more than 2 centuries under the principles of the Monroe Doctrine, the United States has been the primary guarantor of stability and security in the Western Hemisphere, ensuring that trade routes vital to our economic security remain free from foreign adversarial dominance. Yet today, the CCP is aggressively working to change that reality.

However, Panama is only part of the larger picture. Across the hemisphere, the PRC is securing port investment and critical infrastructure agreements in countries such as Cuba, Peru, Brazil, and Ecuador, among others.

In communist Cuba, just 90 miles from my home district in South Florida, the PRC has expanded its economic and signals intelligence capabilities through facility development agreements and telecommunications investments. This raises serious concerns about Beijing's ability to conduct surveillance against the United States from inside our own backyard.

In Peru, the PRC is transforming the Port of Chancay into a major trade hub for its exports to South America. This is more than an economic project. It strengthens the PRC's malign eco-

nomic influence and grip over regional trade and could allow for dual-use capabilities to support future People Liberations Army's Navy operations in the Pacific.

The implications of these investments for U.S. homeland security cannot be ignored.

The PRC's expanding presence in Latin America has also exacerbated the illicit flow of goods, including precursor chemicals used to manufacture fentanyl. These chemicals fuel drug production and trafficking networks run by the cartels to send deadly narcotics into American communities.

The CCP is complicit in this crisis, which has taken the lives of thousands, no, not just thousands, hundreds of thousands of Americans and overwhelmed law enforcement at our Southwest Border.

Alarmingly, these same PRC state-owned enterprises also continue to operate in U.S. ports today, which poses grave intelligence and security risk. A prime example is COSCO Shipping which the Department of Defense recently placed on its Section 1260H list of Chinese military companies due to its ties to the PRC's military, intelligence, and security apparatus.

Less than a month ago, Federal authorities arrested 9 individuals for their role in a massive smuggling operation that allegedly funneled nearly $200 million of counterfeit and illicit goods from the PRC into the United States through the Ports of Los Angeles and Long Beach.

This is the kind of illicit activity that takes place when we allow foreign adversaries, including those operating under the direction of the CCP, to gain access to our Nation's critical infrastructure.

The message to our partners in the Western Hemisphere must be clear. If you want to benefit from security cooperation and economic partnership with the United States, you must distance yourself from PRC state-owned enterprises. The CCP has no rightful place in shaping the economic and security landscape of our region.

I want to thank our witnesses for appearing before the subcommittee today. I look forward to a productive discussion on how we can enhance America's security in response to the PRC's increasing presence and influence in the Western Hemisphere.

[The statement of Chairman Gimenez follows:]

STATEMENT OF CHAIRMAN CARLOS A. GIMENEZ

FEBRUARY 11, 2025

Good morning. I want to welcome everyone to the first hearing of the Subcommittee on Transportation and Maritime Security in the 119th Congress.

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Through state-owned enterprises such as China Merchants Port Holdings, Hutchison Port Holdings, and China Ocean Shipping Company (COSCO Shipping), the Chinese Communist Party (CCP) has secured access to some of the most strategically significant ports in our region.

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The United States cannot and will not accept a scenario where a foreign adversary—one that openly seeks to undermine our global standing—controls infrastructure critical to U.S. homeland security, military readiness, and economic stability.

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I look forward to a productive discussion on how we can enhance America's security in response to the PRC's increasing presence and influence in the Western Hemisphere.

Chairman GIMENEZ. I now recognize the Ranking Member, the gentlewoman from New Jersey, Ms. McIver for her opening statements.

Mrs. MCIVER. Good morning. Thank you to our witnesses for joining us today.

Thank you to our Chairman Gimenez for holding today's hearings.

I am glad to serve as Ranking Member of this subcommittee this Congress, and I look forward to working with all of my colleagues to advance the security of our transportation and maritime systems.

Before I begin, I want to offer my condolences to the friends and families of those recently took those to, excuse me, to the friends and families of those lost in recent aviation accidents here in Washington, DC, as well as Philadelphia and Alaska. We must ensure travelers everywhere can board planes and get to their destination safely and securely.

Now to the topic at hand, the People's Republic of China has aggressively pursued investments in ports throughout the Americas and across the globe. PRC aggression requires a robust, coordinated response by the United States and our allies.

Investments by Chinese state-owned companies and terminal leases at U.S. ports must continue to be reviewed carefully by the Committee on Foreign Investments in the United States as they have been to date. PRC investments in ports abroad must be countered by U.S. foreign aid.

However, scrutinizing PRC investments in our ports only goes so far if we are at the same time opening the front gates of our Government to Chinese influence. The PRC poses a threat to U.S. national security through investments, not just in ports but in all manner of foreign assets, including their top puppet Elon Musk.

Since being installed as the de facto president of the United States, Musk has acted at every turn in the interest of China and himself at the expense of American people. Musk has deep ties to China. We do not know the full extent of those ties because he refuses to follow public financial disclosure, but we do know that Musk has received hundreds of millions of dollars in loans from PRC-controlled banks to build factories in Shanghai, which are central to his business and wealth.

We know that Musk has repeatedly met with senior Chinese officials and failed to disclose those meetings despite being required to do so as a U.S. defense contractor. Musk's own DOGE co-chair Vivek Ramaswamy has said of Musk, "I have no reason to think Elon won't jump like a circus monkey when Xi Jinping calls in the hour of need."

Since inauguration day, Musk and his affiliates have inserted themselves at multiple Government agencies and gained access to Government systems containing America's most sensitive personal data. Musk has also exported American's personal data onto unsecured personal servers for unknown reasons.

One Government contractor responsible for contributing to intelligence briefings for this Treasury Department called DOGE's access to the Department's payment system, "an unprecedented insider threat risk."

If my colleagues were as concerned as they profess to be about the PRC's access to sensitive U.S. critical infrastructure and data, they would not be OK with handing their constituents' information over to an unelected billionaire whose true intentions are unknown.

In addition, the Musk-Trump administration has attempted to freeze grant spending, including disbursements for the Port Security Grant Program which U.S. ports rely on to fund critical security projects.

To make matters worse, Musk and his underlings are killing or trying to kill USAID, the agency responsible for providing foreign aid. USAID's foreign investments are vital to advancing U.S. interests abroad. In fact, USAID's investments are the best tool the United States has to counter the PRC's influence on the global stage in general and the PRC's foreign port investments in particular.

USAID provides these investments for less than 1 percent of the Federal budget. Elon Musk's net worth has increased by far more than the entire USAID's budget just since Election Day, which just goes to show that he cares about his own personal enrichment and not making the Government more efficient.

Dismantling USAID is illegal. I am going to say that again. Dismantling USAID is illegal as Congress has authorized, funded, and mandated its foreign aid programs. But beyond that, dismantling USAID is just plain dumb. At least it is dumb if your goal is to advance U.S. interests, which may not be Musk's goal.

Removing U.S. foreign aid will create a soft power vacuum that the PRC will happily fill. As one former USAID official put it, and I quote, "Halting foreign aid, even just temporarily, will have obvious predictable results. Children will die, our national security will erode, America's alliances will suffer, U.S. partners will be at risk, and America's enemies will rejoice. The Trump administration has just put America last while handing a gift to our biggest adversaries, notably China."

I agree with my colleagues across the aisle that our ports need to be secure and that we need to counter the PRC's influence in the United States and across the globe. I hope my colleagues would open their eyes and see that this administration's actions fly directly in the face of those goals.

I thank the witnesses again for joining us, and I yield back.

[The statement of Ranking Member McIver follows:]

STATEMENT OF RANKING MEMBER LAMONICA MCIVER

FEBRUARY 11, 2025

I am glad to serve as Ranking Member of this subcommittee this Congress, and I look forward to working with all my colleagues to advance the security of our transportation and maritime systems.

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And we know that Musk has repeatedly met with senior Chinese officials and failed to disclose those meetings, despite being required to do so as a U.S. defense contractor.

Musk's own former DOGE co-chair Vivek Ramaswamy has said of Musk, "I have no reason to think Elon won't jump like a circus monkey when Xi Jinping calls in the hour of need."

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But beyond that, dismantling USAID is just plain dumb. At least, it is dumb if your goal is to advance U.S. interests—which may not be Musk's goal. Removing U.S. foreign aid will create a "soft power" vacuum that the PRC will happily fill.

As one former USAID official put it, "Halting [foreign aid], even just temporarily will have obvious, predictable results: Children will die. Our national security will erode. America's alliances will suffer. U.S. partners will be at risk. And America's enemies will rejoice . . . The Trump administration has just put America last, while handing a gift to our biggest adversaries, notably China."

I agree with my colleagues across the aisle that our ports need to be secure, and that we need to counter the PRC's influence in the United States and across the globe.

I hope my colleagues will open their eyes and see that this administration's actions fly directly in the face of those goals.

Chairman GIMENEZ. Thank you to the Ranking Member.

Other Members of the committee are reminded that opening statements may be submitted for the record.

[The statement of Ranking Member Thompson follows:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

FEBRUARY 11, 2025

This hearing is only our committee's third this Congress, but I am already beginning to sense a theme: the Republican Majority wants to hold hearings on real problems, but is turning a blind eye to how the Trump administration is making those problems much, much worse.

Last week, Republicans convened a hearing on cybersecurity workforce challenges, while trying to ignore the Trump administration's brazen attacks on Federal workers.

This week, Republicans are holding a hearing on the People's Republic of China's growing international presence in the maritime sector, while trying to ignore the Trump administration's brazen attacks on U.S. foreign aid, which is essential to combatting the PRC's influence around the world.

This is like trying to mow the lawn while your house is on fire.

The threats posed by the PRC to U.S. and international ports are worthy of serious attention.

The PRC has grown increasingly aggressive within the maritime domain and currently owns or operates more than 40 ports in Mexico, Central, and South America.

Some of these are deepwater ports with wide-berth docks sufficient for China's Navy to make port calls for logistics and refueling needs.

The United States and its partners face tremendous challenges in responding to the PRC's activities—which is even more challenging when the current administration is undermining those efforts.

On Inauguration Day, President Trump signed an Executive Order pausing U.S. foreign aid.

Since then, we have seen Elon Musk and his Department of Government Efficiency minions attempt to shutter the U.S. Agency for International Development.

Stepping back from the world stage is not the way to counter China's growing influence.

In fact it will do exactly the opposite, opening the door for China to fill the void the United States has left.

As we seek to understand why the administration would take these seemingly incomprehensible actions, we cannot ignore Elon Musk's ties to China.

Musk's various businesses are deeply entangled with the PRC.

In 2019, Tesla opened the Shanghai Super Factory, built using loans from PRC state-owned banks.

The PRC has given Tesla special tax breaks and other benefits.

Ever since Musk established business ties with the PRC, he has acted in China's best interests.

During the December 2024 Government funding negotiations, Musk inserted himself at the last minute to urge Republicans to reject the bill they had negotiated.

The bill would have prohibited or required notification of overseas transactions involving certain Chinese services, as well as an expanded review of Chinese real estate purchases in the United States.

Republicans followed Musk's orders, and the final version of the bill dropped those provisions.

In addition, the Department of Defense has been investigating Musk and SpaceX for failing to disclose meetings with Chinese and Russian foreign leaders, as required by law.

Now, we see Musk deconstructing the Federal Government from the inside, in ways the PRC will easily exploit.

The fox is guarding the henhouse, and we do not know his true intentions.

I hope the Republican Majority will stop willfully ignoring how the administration is exacerbating the problems for which they claim to have such grave concerns.

Chairman GIMENEZ. I am pleased to have a distinguished panel of witnesses before us today on this critical topic. I ask that our witnesses to please rise and raise their right hand. Do you solemnly swear that the testimony you will give before the Committee on Homeland Security of the U.S. House of Representatives will be

the truth, the whole truth, and nothing but the truth, so help you God?

Let the record reflect that the witnesses have answered in the affirmative. Thank you and please have a seat.

[Witnesses sworn.]

Chairman GIMENEZ. I would now like to formally introduce our witnesses. Dr. Isaac Kardon is a senior fellow for China Studies at Carnegie Endowment for International Peace and an adjunct professor at Johns Hopkins School of Advanced International Studies. Previously, he was an assistant professor at the U.S. Naval War Colleges China Maritime Studies Institute.

Dr. Kardon specializes in China's maritime power, including its global port development, overseas military basing, and the international law of the sea. He holds a Ph.D. in government from Cornell University and an MPhil in modern Chinese studies from Oxford and a BA in history from Dartmouth.

Dr. Matthew Kroenig is vice president and senior director of the Scowcroft Center for Strategy and Security at the Atlantic Council. He specializes in U.S. national security strategy, strategic competition with China and Russia, and nuclear deterrence.

Dr. Koenig currently serves as tenured professor at Georgetown University, and he is also a commissioner on the Congressional Commission on the Strategic Posture of the United States. Previously, he served in the Department of Defense and the intelligence community under the Bush, Obama, and Trump administrations. He holds a Ph.D. and an MA in political science from the University of California Berkeley and is a life member of the Council on Foreign Relations.

Dr. Ryan Berg is director of the Americas Program and head of the Future of Venezuela's Initiative at the Center for Strategic and International Studies. Dr. Berg specializes in U.S.-Latin American relations, strategic competition, defense policy, and transnational organized crime.

Previously, he was a research fellow at the American Enterprise Institute and a visiting fellow at Oxford's Changing Character of War Program. He holds a Ph.D., an MPhil in political science and an MSC in global governance from Oxford, as well as a BA in government and theology from Georgetown.

Dr. Cary Davis is the president and chief executive officer of the American Association of Port Authorities where he also serves as general counsel.

Prior to the AAPA, Mr. Davis served in the Federal Government as a Presidential and Congressional appointee for international trade and security. He holds a J.D. and a Master's degree from the University of Pennsylvania and a B.S. from the University of Pittsburgh.

I thank each of our distinguished witnesses for being here today.

I now recognize Dr. Kardon for 5 minutes to summarize his opening statement.

STATEMENT OF ISAAC B. KARDON, PH.D., SENIOR FELLOW FOR CHINA STUDIES, ASIA PROGRAM, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE, ADJUNCT PROFESSOR, JOHNS HOPKINS SAIS

Mr. KARDON. Chairman Gimenez, Ranking Member McIver, and Members of the subcommittee, thank you for this opportunity to testify on Chinese firms' strategic port investments in the Western Hemisphere and their implications for homeland security.

Chinese companies have invested in port terminals in 7 countries in our hemisphere and include 5 terminals in U.S. ports. Two Chinese state-owned enterprises, COSCO and China Merchants, along with the private conglomerate Hong Kong-based CK Hutchison Holdings, are the lead Chinese partner in each of these investments.

Compared to other regions, Chinese firms maintain a relatively modest presence in the Americas with investments in 15 ports of 95 total, which represents 16 percent of their overall global port investments.

In the United States, Chinese firms hold minority stakes in terminals at the Ports of Los Angeles, Seattle, Houston, and Miami. At Long Beach, COSCO holds a 51 percent stake at Pier J. These positions are generally structured as joint ventures with American firms, which are generally the lead operators. Beyond our borders, Chinese companies made particularly strategic investments in Panama, Peru, and Brazil.

Turning to homeland security implications, I assessed 2 primary areas of valid concern. First, the potential for Chinese military use of these facilities to project power in the hemisphere, and second, the exposure of critical maritime infrastructure to certain physical and digital vulnerabilities.

On the military front, Chinese naval presence in our hemisphere is relatively modest. The People's Liberation Army Navy has conducted only 39 port calls in the Americas over the past 27 years. That's out of a total of 413, so about 9 percent, with no reported calls since the year 2018.

While Chinese-operated ports can and do support limited military operations, observed especially in their regular missions in the Indian Ocean region, the correlation of forces in this hemisphere overwhelmingly favors the United States.

For the PLA to mount a direct challenge to America's exclusive role in hemispheric security would be a risky and counterproductive deviation from Beijing's clear strategic imperatives. These will remain anchored in the western Pacific and focused on controlling Taiwan for the foreseeable future.

The more pressing concerns involve vulnerabilities introduced by Chinese-made equipment and software embedded in port systems. Even facilities not owned or operated by Chinese firms often rely on PRC-made technologies—for example, ship-to-shore cranes.

Under Beijing's highly-acquisitive data governance regime and comparatively high levels of control over PRC firms, these systems enable intelligence collection and surveillance and may cause delay or disruption to the critical operations of U.S. maritime transport systems.

Four recommendations follow from these findings. First, while the presence of Chinese investments and equipment in U.S. ports present some material risks, indiscriminate force divestiture would do more harm than good. The focus should be on implementing stringent and mandatory cybersecurity and other security screening and developing viable domestic alternatives to technologies and services currently dominated by PRC firms. U.S. terminal concessions are less problematic from a national security standpoint but should also be scrutinized rigorously.

Second, the United States must work closely with the government of Panama to protect our vital national security interests that are concentrated at the Panama Canal. This should include helping attract private capital to take over any rescinded concessions and to expand and upgrade existing facilities.

Third, rather than trying to symmetrically match China's port investments, we should leverage our extensive network of capable maritime partners in Asia and Europe in particular to compete collectively.

Finally, Congress should prioritize legislation like the SHIPS for America bill proposed in the last Congress to coordinate our national maritime strategy, including creating a maritime security advisor position to improve strategic planning and decision making that integrates economic and national security concerns.

Challenges posed by China's port investments in the hemisphere are real but manageable with proper attention and coordinated response.

Thank you for the opportunity to testify and I'll look forward to your questions.

[The prepared statement of Mr. Kardon follows:]

TESTIMONY OF:

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FOR A HEARING ON:

"Examining the PRC's Strategic Port Investments in the Western Hemisphere and the Implications for Homeland Security, Part I"

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE ON TRANSPORTATION AND MARITIME SECURITY
119TH CONGRESS

February 11, 2025

Chairman Giménez, Ranking Member McIver, and members of the Subcommittee: Thank you for this opportunity to testify before you today. My testimony addresses "strategic port investments" of Chinese firms in the Western Hemisphere, and analyzes their implications for national security. Those investments most relevant to the Committee's jurisdiction and oversight authority are five joint ventures involving PRC enterprises in cargo terminals in U.S. ports on the Pacific and Gulf coasts. Another 11 current PRC port investments in Latin America and the Caribbean (LAC) may also bear on port operations and maritime infrastructure security within United States, and are therefore material to this analysis.

I. China's Positions in Western Hemisphere Ports

Chinese companies have established full or partial ownership over terminal leases and operating concessions in seven countries in the Western Hemisphere: the Bahamas, Brazil, Jamaica, Mexico, Panama, Peru, and the United States.[1] PRC firms have also attempted unsuccessfully to invest in port terminals in several additional instances, notably in Argentina (Ushuaia), Brazil (São Luis, São Francisco), Canada (Québec), El Salvador (La Unión), and Panama (Isla de Margarita – Colón).[2] Two state-owned enterprise (SOE) conglomerates owned and administered by the central government,[3] China COSCO Shipping Corporation Ltd. ("COSCO") and China Merchants Group Ltd. ("China Merchants") are responsible for eight of these investments – including in all five of the U.S. ports. One Hong Kong-based (HK) private corporation, CK Hutchison Holdings Ltd. ("Hutchison"), and its multinational portfolio companies, hold the other seven in the hemisphere. Together, these "Big Three" Chinese port operating companies account for 81% of the total PRC port investments

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[1] These and other ports data cited in this testimony draw primarily from: Isaac B. Kardon, Wendy Leutert, "Appendix for 'Pier Competitor: China's Power Position in Global Ports,' *International Security* 46, no. 4 (Spring 2022): 9-47, https://doi.org/10.7910/DVN/LL9BKX, Harvard Dataverse, V2. Observations in this dataset derive primarily from company annual reports, company press releases, securities filings and disclosures, State-owned Assets Supervision and Administration Commission of the PRC State Council (SASAC) documents and notices, industry media, and maritime research reports, i.e., Eleanor Hadland (ed), "Global Container Terminal Operators Annual Review and Forecast," *Drewry Maritime Research* (2022-2023); S&P Global, "Sea-web Ports: Ports & Terminals Facilities & Capacities," *S&P Maritime Portal* (February 2025). Supplementary data are drawn from Clark Banach, Jacob Gunter, "Mapping China's Global Port Network. Horizon Europe 101061700 - Dealing with a Resurgent China (DWARC)," MERICS and Aletheia Research Institution (2024).

[2] Hutchison's concession at Buenos Aires Container Terminal SSA (BACTSSA) in Argentina ended in August 2023. Because the firm owned and operated that terminal from 2001-2023, it is still included in historical data on port calls analyzed in Section II, but excluded from this contemporary analysis. CK Hutchison Holdings Ltd., "2024 Interim Report," https://doc.irasia.com/listco/hk/ckh/interim/2024/intrep.pdf, p. 11.

[3] SASAC [国务院国有资产监督管理委员会], "List of Central SOEs [央企名录]" (June 27, 2023), https://archive.ph/Cw7Gc. Central SOE's are managed directly by the PRC State Council SASAC, and their leadership are senior officials appointed directly by the state and are more directly answerable to party leadership. See Wendy Leutert, Samantha A. Vortherms, "Personnel Power: Governing State-Owned Enterprises," *Business and Politics* 23, no. 3 (2021): 419–37, https://doi.org/10.1017/bap.2021.5.

overseas (77 of 95), and own minority stakes in the local SOEs and private enterprises involved in other projects.

In comparison to PRC port investments across Europe, Africa, and Asia, Chinese firms have established a relatively small presence in the Western Hemisphere. The 15 ports in the region account for 16% of all PRC overseas ports (cf. 36 in Asia and 23 in Europe). Chinese companies initiated only five of the port projects in this hemisphere, demonstrating the lower priority Beijing places on the region, as well as its delayed marketing of Belt and Road Initiative (BRI) projects and financing to LAC countries. PRC firms partially own terminals in five U.S. ports: Houston, Los Angeles, Long Beach, and Seattle.

Annex A, Table 1 shows details about PRC-invested port terminals in the hemisphere.[4]

I(a). PRC positions in American ports[5]

Port of Los Angeles (LA): China Shipping Group (merged with COSCO in 2016) formed a joint venture in 2001 to operate the West Basin Container Terminal (WBCT) in the Port of LA. COSCO owns 40% of the JV through a local subsidiary, the Taiwanese firm Yang Ming owns 40%, and Ports America owns the remaining 20%. The lease on this terminal was extended in 2021 for an additional nine years, to 2030. China Shipping operates 3 of the 14 berths at the terminal; the rest are operated by Yang Ming, with stevedoring services provided by Ports America. These operations account for roughly 20% of the twenty-foot equivalent unit (TEU) throughput at the port. Additionally, China's paramount leader Xi Jinping visited a China Shipping berth (number 100) at WBCT in February 2012 (when he was PRC Vice Chairman), accompanied by California Governor Jerry Brown and LA Mayor Antonio Villaraigosa (see **Annex B**, Images 1 and 2).[6] At that time, a planned expansion of the terminal was entering its final stages after facing lawsuits over its environmental impact. The terminal was ultimately approved in 2019 by the Port of LA Harbor Commission, albeit requiring mitigation measures.[7]

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[4] Source: Kardon and Leutert, "Appendix for "Pier Competitor." Full size image artifact available at https://claude.site/artifacts/363effa0-ddbe-4401-a061-63ce0dea8dc0.

[5] These descriptions draw on current data and prior testimony: Isaac Kardon, Testimony Before the U.S.-China Economic and Security Review Commission, Hearing China's Military Power Projection and U.S. National Interests, Panel II: Building an Expeditionary Force: Hardware, Logistics, and Bases, 116th Cong., Second Session (February 20, 2020), https://www.uscc.gov/hearings/chinas-military-power-projection-and-us-national-interests.

[6] "Xi Jinping Visits China Shipping Los Angeles Terminal on February 16 [习近平参观考察中海运洛杉矶码头]," Embassy of the PRC in the United States (February 17, 2012), https://archive.ph/wip/NldRi.

[7] These additional measures faulted COSCO's "languishing compliance" with emissions regulations. See Port of Los Angeles Environmental Management, "Final Supplemental Environmental Impact Report for the Berths 97-109 (China Shipping) Container Terminal Project," Executive Director's Report to the Board of Harbor Commissioners (September 26, 2019), https://kentico.portoflosangeles.org/getmedia/4abf48f1-e449-4a2d-bdce-7cc704dfcc6c/Environmental_China-Shipping-FSEIR_Board-Report-FINAL.

Port of Long Beach (LB): COSCO partnered with Stevedoring Services America (SSA) Marine in 2002 to lease and operate Long Beach, Pier J. They took over a lease vacated by the Danish shipping and logistics firm, Mærsk. Their JV, Pacific Maritime Services LLC (PMS), is a private, Delaware-registered corporation that continues to operate the Pacific Container Terminal. COSCO is the majority shareholder (51%) through its New Jersey-based subsidiary COSCO Terminals North America. Decisions by the JV board require an "affirmative vote of at least 70% of the ownership shares of the members," meaning COSCO does not hold an effective majority. SSA operates the terminals and COSCO provides cargo volumes and shipping services.[8] In 2018, COSCO acquired the Hong Kong shipping firm Orient Overseas (International) Limited (OOIL); however, a subsequent CFIUS review required the divestiture of OOIL's wholly-owned Long Beach Container Terminal (LBCT) in order to complete the transaction.[9]

Port of Seattle: Two COSCO subsidiaries hold a collective 33.33% stake in Terminal 30 at the Port of Seattle through a JV with SSA Marine in place since 2007. As in Long Beach, SSA is the operator, and COSCO's role as a minority shareholder is to drive cargo traffic through the terminal. According to port officials, there is also a COSCO contract in place for container service at Terminals 25 and 28.

Port of Houston: China Merchants acquired 49% of the public shares of Terminal Link in 2013, the terminal operating subsidiary of the French firm CMA CGM.[10] As a result of that transaction China Merchants holds equity in a joint venture between Terminal Link Texas (51%) and Ports America (49%). Through this transaction, China Merchants holds nearly half of Terminal Link's stake in the Bayport Container and Cruise Terminals as portfolio investment. The Bayport container facility handles a large proportion of tankers and containerized cargoes in the Gulf of Mexico.[11]

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[8] Federal Maritime Commission, "Pacific Maritime Services Cooperative Working Agreement," *FMC Agreement*, No. 201122-002 (November 26, 2022), https://www2.fmc.gov/FMC.Agreements.Web/Public/Document/30220. CMA CGM, through its terminal operating subsidiary Terminal Link California LLC, acquired an undisclosed stake in this joint venture in 2012; Drewry Maritime Research reports that CMA CGM holds 10% of the equity, but COSCO's ownership stake remains 51% (Drewry, "Global Containers," 2022-2023).

[9] Orient Overseas Container Line, "Orient Overseas (International) Limited announces the sale of Long Beach Container Terminal to a consortium led by Macquarie Infrastructure Partners," OOCL website (April 30, 2019), https://www.oocl.com/eng/pressandmedia/pressreleases/2019/Pages/30Apr2019.aspx.

[10] China Merchants Holdings (International) Company Ltd. (CMHI), "Discloseable Transaction in Relation to the Acquisition of 49% Equity Interest in Terminal Link SAS," Hong Kong Exchanges and Clearing Limited (January 25, 2013), https://www1.hkexnews.hk/listedco/listconews/sehk/2013/0125/ltn20130125584.pdf. In a 2020 transaction, China Merchants acquired 49% of eight more Terminal Link terminals. CMHI, "Update on Discloseable Transaction in Relation to (1) the Subscription of Mandatory Convertible Bonds Issued by Terminal Link and (2) the Loan Granted to Terminal Link, to Finance the Proposed Acquisition" (March 26, 2020), Hong Kong Exchanges and Clearing Limited, https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0326/2020032600599.pdf.

[11] Two thirds of regional container traffic transits two terminals at the port of Houston, and Bayport is the larger of the two. See Port of Houston, "Container Terminals," https://porthouston.com/container-terminals/.

Port of Miami: This South Florida Container Terminal (SFCT) is a joint venture between Terminal Link (51%) and A.P. Möller-Mærsk Terminals (49%), so China Merchants owns roughly 25% of the equity and receives proportional revenues from port throughput. Terminal Link and APM Terminals operate berths 110 and 99 in this modern, upgraded container terminal, with access to all major U.S. and LAC markets. As in Houston, China Merchants holds equity but also has no managerial or operational role in the terminal.[12]

I(b). Select PRC positions in Latin America and Caribbean ports

Excluding the United States and Mexico, there are six PRC-invested ports in the rest of the hemisphere. Among them, those in Brazil, Panama, and Peru rate special attention as "strategic port investments" due to their geographic positions and connections to major markets and resources.

Panama:[13] The government of Panama granted two 25-year concessions to operate ports on either side of the Panama Canal in January 1997 to Hutchison's Panama-incorporated subsidiary, the Panama Ports Company, S.A. (PPC). These concessions were automatically extended in 2021, without tendering competing bids, for the period 2022 to 2047.[14] PPC holds a 90% stake in the concessions for the ports of Balboa (on the Pacific) and Cristóbal (on the Atlantic), with 10% retained by the Panamanian government. The contract preserves Panama Canal Authority (PCA) control over the canal and its approaches. PPC (and other port operators in Panama) must coordinate with but remain subordinate to PCA canal operations in areas of overlap.[15]

"Panama Law No. 5" establishes the statutory terms for Hutchison's concession for the "development, construction, operation, administration and management of the port terminals for containers, RO-RO, passenger, bulk cargo, and general cargo in the ports of

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[12] China Merchants has "board representation only" in Terminal Link, and thus no role in the management or operation of terminals in which they hold equity interest only. See China Merchants Port Holdings Company Limited, "Preliminary Offering Memorandum," (July 24, 2018) https://secure.fundsupermart.com/fsm/bond/relatedBondDocument/1126/CMHI%20OC.pdf.

[13] Sarah Camacho, Junior Fellow in the Carnegie Endowment for International Peace Asia Program, contributed valuable research and analysis on Panamanian port and throughput data in support of this testimony.

[14] According to Hutchison, "Hutchinson Ports was previously audited by the Office of the Comptroller General of Panama in 2020 and 2021, and both audits showed that it had fully met its contractual obligations. The company also said it shares financial results audited by an independent external auditor with the Panamanian government on an annual basis and submits monthly reports to the Panamanian authorities." "Li Ka-shing's port company responds positively to Panamanian government investigation [李嘉诚旗下港口公司正面回应巴拿马政府调查]," *CNSS Comprehensive Compilation of Maritime Services Network* [海事服务网 CNSS 综合整编] (January 24, 2025), https://archive.ph/aA2rG.

[15] The Board of Directors of the Panama Canal Authority, "Whereby the Regulation on Navigation in Panama Canal Waters is replaced," Agreement No. 360 (December 12, 2019), https://pancanal.com/wp-content/uploads/2021/12/Acuerdo-360.pdf. Article 2, 14 (stipulating PCA control in the event of casualty or "significant events"), 15 ("taking control of response operations" in the event of "grounding, shipwreck, fire, spills, or any other incident that could result in the obstruction of navigation").

Balboa and Cristóbal."[16] The law explicitly states that the contract is subject to the jurisdiction of the PCA (and therefore, to that of the government of Panama):

> By virtue of Article 310 of the Political Constitution that creates the Panama Canal Authority, and grants it powers and responsibilities, and also by virtue of the close connection between the Authority's activities and the operation of ports adjacent to the Panama Canal, the contract contained in this Law is approved subject to none of its clauses being interpreted in a way that conflicts with the powers, rights and responsibilities conferred to the Canal Authority in the cited constitutional provision or in the law that organizes it, especially regarding the use of areas and facilities, control of marine traffic and pilotage of vessels transiting through the canal and ports adjacent to it, including its anchorages and dry docks. (Annex X, Article 2)

Hutchison PPC exercises substantial control over terminal operations at the ports of Balboa and Cristóbal, but the port operator must coordinate with, while remaining subordinate to, Canal operations in areas of overlapping interest. For a ship to navigate the interoceanic route, PCA regulations dictate that it must be approved and assigned a space in the transit queue by the Panama Canal Maritime Traffic Control Center.[17] These regulations also define the scope of the "Canal" to include "the waterway itself, as well as its anchorages, berths and entrances; lands and sea, river, and lake waters; locks; auxiliary dams; dikes and water control structures, as established by the Organic Law."

Hutchison PPC port operations on either side of the canal collectively moved an estimated 3.8 million TEUs in 2024, representing nearly 39% of the total throughput across five ports adjacent to the canal. This is less than the total throughput of the Colón port complex on the Atlantic side, where terminals operated by the American firm SSA Marine and the Taiwanese firm Evergreen moved over 4.7 million TEUs over the same period, accounting for 49% of the cargo volume. Another port facility on the Pacific side at the former American Rodman Naval Base in Balboa, Panama International Terminals, is operated by the Port of Singapore Authority (PSA), and mostly accounts for the remaining 12% of throughput. Individually, however, the largest single (sub)port is the Manzanillo International Terminal at Colón, where the consortium led by SSA Marine (including PSA as well as Panamanian investors) accounts for nearly 30% of the total throughput in 2024 (down from 31% in 2023 and 32% in 2022).[18]

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[16] Ley 5 de 1997, G.O. No. 23,208 (Pan.)" https://docs.panama.justia.com/federales/leyes/5-de-1997-jan-21-1997.pdf.

[17] Canal de Panamá, "El Centro de Control de Tráfico Marítimo del Canal de Panamá," Panama Canal Authority, https://pancanal.com/el-centro-de-control-de-trafico-maritimo-del-canal-de-panama/.

[18] Data sourced and analyzed by Sarah Camacho, derived from Autoridad Marítima de Panamá (AMP), "Memoria Institucional 2024" (November 2024), https://www.amp.gob.pa/memoria/, p. 68 and extrapolating annual totals from AMP, "Movimiento de Contenedores TEUs con 15.1% de Crecimiento" (January 24, 2025), https://www.amp.gob.pa/noticias/notas-de-prensa/movimiento-de-contenedores-teus-con-15-1-de-crecimiento/. This analysis contradicts the claim that "the canal's two biggest ports are operated by a Hong Kong company" in Alexandra Stevenson, Keith Bradsher, "Trump, the Panama Canal and the Hong Kong Firm at the Heart of a Showdown," *New York Times* (February 6, 2025), https://www.nytimes.com/2025/02/06/business/panama-canal-ck-hutchison.html.

A separate Panama port concession was awarded to the private PRC firm Landbridge Group in 2016, which partnered with central SOE China Communications Construction Company Ltd. (CCCC) to build, operate, and own a new terminal on Isla de Margarita in the Colón Free Trade Zone.[19] With a 5 million TEU designed annual capacity and bold ambitions to expand to a 11 million TEUs, this terminal would be the largest in Latin America. However, the Panama Maritime Authority revoked the concession in June 2021, claiming that the Landbridge-led consortium was out of compliance with contractual terms for failing to meet required levels of investment and employment of Panamanians. U.S. infrastructure investment firm Notarc Management Group subsequently partnered with the Mediterranean Shipping Company (MSC) to acquire the concession, rebranded as Panama Canal Container Port (PCCP).[20] Landbridge is currently fighting to reinstate its concession, refusing to join Notarc's "sham arbitration" in Panama, and pursuing arbitration in Delaware district court and litigation for injunctive relief in Barbados (where Landbridge Holdings, Inc. is registered).[21] The project remains mired in controversy, but Notarc and MSC are reviewing the designs to resume construction on the 40% developed Isla de Margarita port.[22]

Peru: COSCO's first foray into Latin American ports is a 2019 joint venture with Volcan Compañia Minera S.A.A. (Volcan) to develop a deep-water port at Chancay, 70 kilometers north of Peru's capital, Lima. COSCO holds 60% of the concessionaire, Terminales Portuarios Chancay S.A. (TPC), with remaining shares held by Volcan, a Peruvian mining company producing zinc, lead, and silver.[23] In 2021, COSCO and Volcan signed an agreement with Peru's National Port Authority (APN) granting TPC exclusive rights to build and operate the facility.

After the wide authorities granted to TPC under this concession met public scrutiny, APN cited an administrative error and filed a lawsuit to annul the exclusivity clause. COSCO threatened to withdraw and seek international arbitration. Peruvian authorities acquiesced, dismissing the lawsuit in June 2024, then passing a legislative amendment that gave APN the

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[19] "Chinese companies start work on expanding Panama port – the infrastructure pie is huge [中企启动巴拿马港口扩建工程 基建蛋糕巨大]," *Xinhua News* (June 8, 2017), https://archive.ph/cR3Fr.

[20] Daniel Cancel, "Notarc Partners with MSC to Finish Panama Canal Container Port," *Bloomberg* (May 18, 2022), https://www.bloomberg.com/news/articles/2022-05-18/notarc-partners-with-msc-to-finish-panama-canal-container-port?embedded-checkout=true; "MSC and Investors Replace Chinese to Build Panama Container Terminal," *The Maritime Executive* (May 19, 2022), https://maritime-executive.com/article/msc-and-investors-replace-chinese-to-build-panama-container-terminal.

[21] Notarc Port Inv. LLC v. Landbridge Holdings, Inc., No. 1:24-cv-00254-GBW (D. Del. Mar. 15, 2024).

[22] "Panama Colón Container Terminal Controversy Builds," *Port Strategy* (May 30, 2024), https://www.portstrategy.com/port-and-terminal-news/panama-colon-container-terminal-controversy-builds/1494614.article?adredir=1.

[23] COSCO SHIPPING Ports Limited, "Discloseable transaction in relation to the acquisition of interest in a container terminal in Peru," Hong Kong Stock Exchange, Filing No. LTN20190123457 (January 23, 2019) https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0123/ltn20190123457.pdf.

authority to grant exclusivity rights for a period of 30 years.[24] Separately, in October 2024, COSCO filed for a protective injunction in the Civil Court of Chancay against Peru's Supervisory Body for Investment in Transportation Infrastructure for Public Use (Ositran), challenging its jurisdiction and oversight over its private and exclusive project.[25] The Chinese firm asserted that it was not properly considered a "service provider" regulated by Ositran, demanding exclusive rights to control intermediary actors that usually provide port services like towing or piloting ships, transshipment and storage of goods, supply of fuel, and ship waste management.[26]

These legal proceedings were still underway during Xi Jinping's visit to Peru for the Asia-Pacific Economic Cooperation Forum (APEC) in November 2024, when he inaugurated the Chancay mega-port in Lima with Peru's president Dina Boluarte. The PRC is Peru's largest trading partner, and Chancay is expected to significantly shorten shipping times between South America and Asia.[27] Boluarte lauded the port's potential to contribute 1% to Peru's GDP in 2025 and transform the nation into a "world-class technological and industrial center" and a major hemispheric logistics hub. To date, COSCO's lawsuit is still pending in Peruvian courts, and continues to generate controversy.[28]

Brazil: China Merchants launched its first port project in Latin America in 2017, acquiring 90% of the Terminal de Contêineres de Paranaguá (TCP) 30-year lease agreement for the

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[24] "Peru's Government Resolves Dispute with COSCO Over $1.3B Port Lease," *The Maritime Executive* (June 26, 2024), https://maritime-executive.com/article/peru-s-government-resolves-dispute-with-cosco-over-1-3b-port-lease.

[25] Alejandro Pizarro Choy, "Chancay Multipurpose Port Terminal," *The People's Map of Global China* (January 7, 2025), https://thepeoplesmap.net/project/chancay-multipurpose-port-terminal/; Julieta Pelcastre, "Peru's Chancay Port and the Risks of China's Growing Influence," *Diálogo Americas* (February 6, 2025), https://dialogo-americas.com/articles/perus-chancay-port-and-the-risks-of-chinas-growing-influence/; Lea Thome, "Chancay port opens as China's gateway to South America," *AidData* (November 14, 2024), https://www.aiddata.org/blog/chancay-port-opens-as-chinas-gateway-to-south-america.

[26] Gobierno del Perú, Decreto Supremo N° 044-2006-PCM y Modificatorias: Reglamento General del OSITRAN (2006), https://cdn.www.gob.pe/uploads/document/file/1831738/decreto-supremo-044-2006-pcm-y-modificatorias-reglamento-general-del-ositran.pdf?v=1619144426.

[27] Peruvian Transport Minister Raul Perez stated: "Our goal is to become the Singapore of Latin America,..We will have direct routes to Asia, in particular to China, which will reduce (shipping time) by 10, 15, even 20 days, depending on the route, compared to 35-40 days currently." Agence France Press, "Peru's Chancay: China's Megaport Of Entry To South America," *Barron's* (November 11, 2024), https://www.barrons.com/news/peru-s-chancay-china-s-megaport-of-entry-to-south-america-5671f310.

[28] Joana Cervilla, "Megapuerto de Chancay: oportunidades y desafíos de una obra que transformará el comercio regional y la economía peruana," *PuntoEdu PUCP*, November 11, 2024, https://puntoedu.pucp.edu.pe/coyuntura/megapuerto-de-chancay-china-oportunidades-y-desafios/; Renzo Gómez Vega and Inma Bonet Bailén, "China consolida su presencia en Latinoamérica con la inauguración en Perú del megapuerto de Chancay," *El País*, November 15, 2024, https://elpais.com/america/2024-11-15/china-consolida-su-presencia-en-latinoamerica-con-la-inauguracion-en-peru-del-megapuerto-de-chancay.html; Carol Yang, "Xi inaugurates Chancay port in Peru, unveiling the China-Latin America Corridor," *Lloyd's List* (November 15, 2024), https://www.lloydslist.com/LL1151436/Xi-inaugurates-Chancay-Port-in-Peru-unveiling-the-ChinaLatin-America-corridor; Universidad del Pacífico, "Observatorio de Chancay," Centro de Estudios sobre China y Asia-Pacífico (December 2024), https://cechap.up.edu.pe/observatoriodechancay/.

port of Paranaguá.[29] The managing director of China Merchants Port Holdings, Bai Jingtao, described Brazil as "China's most important strategic partner in the region;"[30] other PRC corporate leaders welcomed the chance to "put Paranaguá on the map of the Belt and Road Initiative."[31] By 2020, China Merchants moved to acquire the remaining 10% of the port lease from Brazilian minority investors, and then later that year, transferred 22.5% of their 100% shareholding to China Portugal Development Fund and the China LAC Development Fund. These Chinese state development funds were recruited into the project to "make use of their institutional coverage and in-depth understanding on Africa and Portuguese-speaking countries, to give full play to their capital operation capacity and assist the development and operation of the projects."[32]

Paranaguá holds special appeal for Chinese firms because it is Brazil's largest port for agriculture exports, and the PRC is the world's largest agriculture importer. In the context of the burgeoning trade war with the U.S. in 2018 – during which China levied retaliatory tariffs across a range of American agricultural products – this new and expanded terminal provided necessary capacity for surging PRC imports of Brazilian soybeans, beef, pork, cotton, tobacco, oilseeds, and a range of other goods. The composition of China's agriculture trade changed dramatically in this period to favor Brazil over the U.S., with the American share of Chinese agriculture imports declining from 21% to 12% from 2016 to 2018, while Brazil's share increased from 18% to 26% over the same period.[33] China Merchants signed a letter of intent with Portos do Paraná, the state port authority, to extend their concession another 25 years and undertake capacity expansion at the port.[34] As trade tensions with the U.S. intensify, this port and its growing capacity will enable continued diversification of China's trade in agriculture (as well as critical minerals), moving away from the United States and further consolidating its position as South America's leading trade partner.

Other LAC ports: Alongside Panama, Peru, and Brazil, PRC firms have also established port ownership and operations in the Bahamas, Jamaica, and Mexico. Of particular note are

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[29] China Merchants Port Holdings Company Ltd., "Discloseable Transaction Acquisition of TCP in Brazil," Hong Kong Exchanges and Clearing Limited (September 4, 2017), https://www.hkexnews.hk/listedco/listconews/sehk/2017/0904/ltn20170904029.pdf.

[30] "A Operadora Chinesa, China Merchants Port (CMPort) Anuncion A Compra, Por R$ 2,9 Bilhões Do TCP De Paranagná," *Maxton Logistica* (September 20, 2017), https://maxtonlogistica.com.br/a-operadora-chinesa-china-merchants-port-cmport-anuncion-a-compra-por-r-29-bilhoes-do-tcp-de-paranagna/.

[31] "Comércio da China com a América Latina cresce 18% no primeiro semestre de 2018," *Xinhua* (September 9, 2018), https://portuguese.news.cn/20180909/C9CA934558C00001E9F412A3EF6012EF/c.html.

[32] China Merchants Group Limited, "CMPort Signs Agreement with China-Portugal Cooperation Development Fund for Port Development," Portugal-China Chamber of Commerce & Industry (October 24, 2019), https://ccilc.pt/en/imprensa/cmport-signs-agreement-with-china-portugal-cooperation-development-fund-for-port-development/.

[33] Congressional Research Service, "China's Retaliatory Tariffs on U.S. Agriculture: In Brief," *CRS Report* no. R45929 (September 24, 2019), https://crsreports.congress.gov/product/pdf/R/R45929.

[34] Joshua Minchin, "China Merchants signs letter of intent with Brazilian port authority," *Lloyd's List* (November 7, 2024), https://www.lloydslist.com/LL1151281/China-Merchants-signs-letter-of-intent-with-Brazilian-port-authority.

the four large, wholly-owned Hutchison port facilities in Mexico (as well as an intermodal logistics hub and a shipyard) that Hutchison management describes as "strategic ports on both coasts." China-Mexico trade volumes rose 34.8% year-on-year in 2023, another 28% in the first half of 2024, and are likely to continue their breakneck growth with further U.S. tariffs.[35] This trade diversion to Mexico affords China with several advantages in trade wars with the United States, including the chance to diversify supply chains, leverage reduced tariff schedules under the U.S.-Mexico-China Agreement (USMCA), and access emerging markets in Latin America. (See **Annex A**, Table 2)

II. Security implications of Chinese ports in the Western Hemisphere

The descriptions in the prior section lay out key characteristics of the most significant and strategic ports owned and operated by PRC firms in the hemisphere since these investments began in Panama in 1997. They may implicate homeland security and regional maritime security through two main pathways: (a) port facilities and associated infrastructure are ready platforms for regional People's Liberation Army (PLA) military operations, and (b) they introduce a range of physical and digital operational risks and vulnerabilities for U.S. ports and transportation systems.

II(a). Potential for Chinese military use of PRC companies' port facilities

Chinese companies' hemispheric port investments are appropriately considered to hold both strategic and commercial value for the PRC. In the first instance, this is because virtually all cargo ports can facilitate both trade and miliary operations. Ocean ports with deep harbors (i.e., the projects which PRC firms generally pursue) can generally accommodate the massive cargo vessels employed by the contemporary shipping industry as well as the largest capital ships in any naval fleet. Such ports are essential for the conduct of international trade and commerce, granting the nation's merchant fleet regular access to foreign markets and resources. Additionally, navies have historically been entrusted with the mission to protect these assets and commercial flows from disruption by military or irregular threats and to prevent raiding of their nation's commerce. For a naval fleet, these facilities allow for sustained operations far from home shores – and in close proximity to major maritime chokepoints and vital sea lines of communication (SLOCS). Defense and, if possible, control of these critical geographies provide strategic advantage to sufficiently capable nations.[36]

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[35] Hutchison Ports, "The Rise of Hutchison Ports Network in Mexico," *Hutchison Spotlight* (Winter 2024), https://opportunity.hutchisonports.com/en/pdf/614; Hutchison Ports Mexico, "Our Presence in Mexico" (2024), https://hutchisonports.com.mx/.

[36] See: Alfred Thayer Mahan, *The Influence of Sea Power Upon History, 1660-1783*, Boston: Little, Brown, and Company (1890).

Chinese strategists and leaders have internalized these Mahanian ideas in their efforts to build maritime power and achieve "national rejuvenation."[37] In this respect, Beijing's approach resembles that of U.S. President Theodore Roosevelt, an early champion of Mahan's vision of sea power.[38] Both for the Washington of the early 1900s (and perhaps again today) and for Beijing over the last two decades, control over ports (and canals) and the SLOCs connecting them became core elements of national maritime strategy. As the central nodes in the transoceanic trade and production networks, ocean ports are essential to the stability of China's maritime trade-oriented economy and provide the "maritime lifeline" for its overall political system.[39] Since the beginning of the 21st century , Beijing has implemented concerted industrial policies to develop immense scale in domestic and foreign port terminals, shipbuilding, shipping, ship owning and leasing, crane manufacture and delivery, container manufacture and leasing, shipping insurance, brokerage, and more.[40] With state support, leading PRC enterprises have successfully pursued extraordinary horizontal and vertical integration across global transportation and logistics sectors. By most measures except for naval capability, China is now the world's leading maritime power.

China's naval force, the Peoples Liberation Army Navy (PLAN), has made increasing use of port facilities abroad to expand its areas of operation, and to conduct gradually more sophisticated missions overseas. Protecting China's overseas economic interests became an explicit PLA mission since 2003, and was formally adopted in 2015 as one of eight "strategic tasks" for the nation's increasingly modern and capable armed forces.[41] Employing a single formal naval base, established in 2017 at Djibouti on the Horn of Africa, the PLAN operates

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[37] Zhu Feng [朱锋], "The historical mirror of maritime powers and China's current choices [海洋强国的历史镜鉴及中国的现实选择]," *People's Forum Academic Frontiers* [人民论坛·学术前沿] (September 2022), https://archive.ph/wip/c7ee3.

[38] Theodore Roosevelt, "Our Need of a Navy. Captain's Mahan's New Book, 'The Interest of America in Sea-Power,'" *The American Monthly Review of Reviews* 17 (January–June 1898): 71–72; Nicholas J. Danby, "The Roots of Roosevelt's Navalism," *Naval History* 35, no. 1 (February 2021).

[39] Xi Jinping stated that over 90% of China's trade is seaborne in an address to a PRC port industry conference in 2017. "General Secretary Xi Jinping Reviews China's Record of Port Development [习近平总书记关心港口发展纪实], *Xinhua News Agency* [新华社] (July 5, 2017), https://archive.ph/yXCHT. Some PLAN analysts calculate that as much as 97% of China's trade is seaborne: Hu Dongying [胡冬英], Huang Rui [黄锐], Cai Guangyou [蔡广友], "Several Thoughts on Advancing the Submarine Force to Distant Oceans [推进潜艇兵力走向远洋的几点思考]," *Ship Electronic Engineering* [舰船电子工程], No. 1 (2017), p. 1 [China Maritime Studies Institute translation]. The UN estimates that 80% of trade volume is seaborne. UN Conference on Trade and Development, UNCTAD Review of Maritime Transport, UNCTAD/RMT/2019/Corr.1 (New York: United Nations, 2019), p. 4; Isaac B. Kardon, Wendy Leutert, "Pier Competitor: China's Power Position in Global Ports," *International Security* 46, no. 4 (Spring 2022), pp. 24-25.

[40] U.S. Trade Representative, "Report on China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance," Section 301 Investigation (January 16, 2025), pp. 12-53, https://ustr.gov/sites/default/files/enforcement/301Investigations/USTRReportChinaTargetingMaritime.pdf; Kardon and Leutert, "Pier Competitor," pp. 9, 12, 27-29.

[41] Hu Jintao's pronouncement in 2003 of "New Historic Missions" included overseas interests for the first time in the PLA mission-set. The 2015 PRC Defense White Paper further articulated a "far seas protection" objective that codified the PLAN's central role in securing overseas economic interests. On the development of this increasingly international mission-set, see Jennifer Rice and Erik Robb, "The Origins of 'Near Seas Defense and Far Seas Protection'," *CMSI China Maritime Report*, No. 13 (February 2021), https://digital-commons.usnwc.edu/cgi/viewcontent.cgi?article=1012&context=cmsi-maritime-reports.

extensively across every ocean and continent.[42] They are demonstrating that even without dedicated military facilities or basing arrangements, any PLAN vessel can call on a port to refuel, resupply, rest its crew, and make at least minor repairs.[43]

Chinese forces have not deployed regularly to this hemisphere. However, the PLA's extensive pattern of naval port calls, senior-level military visits, and exercises across the globe demonstrate a latent capability to project significant power across oceans and continents. To date, these activities have been concentrated in East Asia and the Indo-Pacific region; but ports in the Western Hemisphere have also provided limited logistical and likely intelligence support for PLAN operations.[44] **Annex C** details these patterns of activity, but several observations stand out:

- Figure 1: Comparison of the numbers of PLAN port calls in each world region, showing the most frequent areas of operation in the Middle East, Southeast Asia, Africa, and Europe. North and South America have hosted only 39 out of 413 (9.4%) total PLAN overseas port calls in the period 1997-2024.[45]
- Figure 2: Depiction of the geographic and temporal distribution of the 39 total PLAN port calls to 18 countries in the Western Hemisphere over the period 1997-2024. The chart shows an irregular pattern of visits by naval task forces and other naval missions (including for training exercises and humanitarian assistance operations). U.S. ports have hosted the largest proportion of these calls (nine), including as recently as 2016. Ecuador is the second-most frequented country (four).
- The most striking observation from Figure 2 is that there have been no documented PLAN calls in the hemisphere since 2018. The global pandemic radically decreased PLA activity overseas in the period 2020-2022, but the infrequency of prior port calls and total absence of more recent visits is remarkable and warrants further analysis.
- The 11 port calls to the hemisphere in 2015 are the high water mark in the region, though five of these visits were conducted by the hospital ship *Peace Ark* during its "Harmonious Mission-2015" tour.

The Figures in **Annex C** show a Chinese military force that is comparatively absent from the hemisphere, with no port calls whatsoever within the past seven years. There has been no observable pattern of calling disproportionately in countries where Chinese firms own or operate ports (denoted with asterisks in Figure 2) – with the notable exception of the United

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[42] See, e.g., Zhang Qianyi [张谦一], "Exploring the path to generate global combat capabilities [探索全域作战能力生成路径], People's Army [解放军报] (September 25, 2018), https://archive.ph/1tpac, p. 7; Ryan D. Martinson, "The Role of the Arctic in Chinese Naval Strategy," *China Brief* 19, no. 22 (December 20, 2019), https://jamestown.org/program/the-role-of-the-arctic-in-chinese-naval-strategy/.

[43] Barry Blechman, Donald Weinland, "Why Coaling Stations are Necessary in the Nuclear Age," *International Security*, Vol. 2, No. 1 (Summer 1977), pp. 88-99.

[44] Kardon and Lentert, "Pier Competitor," pp. 9-47.

[45] Port call data are sourced from: Center for the Study of Chinese Military Affairs, "Chinese Military Diplomacy Database v4 (Washington, D.C.: National Defense University, August 2024).

States. However, the Chinese-invested ports in LA/LB, Seattle, Houston, and Miami are not plausible platforms for any aggressive or otherwise unapproved PLA operations (except in all likelihood for intelligence collection and surveillance).[46] The material risks from Chinese assets at U.S. ports concern cyber disruptions and other non-kinetic operations addressed below. Overall, this pattern of military activity and diplomacy indicates a relatively modest approach by China to naval power projection in the Americas.

However, the port facilities in Panama, while never visited by PLAN vessels, are of greater concern from a military-strategic standpoint. While these terminals do not grant Hutchison any operational control or authority to regulate transits through the Panama Canal, their geographic position makes them consequential. The United States relies disproportionately on the efficient functioning of the canal, which provides the most efficient route between the U.S. Atlantic and Pacific coasts. Panama Canal Authority figures indicate that in 2024, 74.7% of all cargo moving through the canal has a U.S. port as its origin or destination; PRC-origin or -bound cargos came a distant second at 12%, highlighting the clear asymmetry in the great powers' dependence on the canal.[47] While PRC firms operate ports in the vicinity of other major chokepoints, including the Malacca Straits, Hormuz Strait, Bab el-Mandeb, and Suez Canal, the threat of severing (or simply delaying) Panama Canal access is more problematic from a homeland security perspective. By comparison to the geostrategic stakes at Panama, U.S. trade and military freedom of navigation do not face major risks in distant theaters – including in the Indian Ocean and South China Sea, where more far more capable groups of Chinese naval and joint forces routinely operate.

There is little possibility for Hutchison or any Chinese user of their facilities to use Balboa or Cristóbal as fortresses to project military power into the canal zone. There is also no requirement to make a port call at a PPC facility in order to transit the canal; and even if a port call is necessary for cargo operations or replenishment, there are multiple alternative port terminals operated by American, Singaporean, and Taiwanese firms adjacent to both Pacific or Atlantic approaches. Transits can be observed or surveilled easily from almost any vantage (including by live-feed cameras offered by the Panama Canal Authority).[48] The more worrisome potential vulnerability is that these approaches could be denied in a crisis. In order for American forces to transit from the Atlantic to rush to the Western Pacific in a crisis over Taiwan, for example, the time sacrificed to delay or denial at the Panama Canal could be the difference between operational success and failure.

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[46] The most recent PLAN call to a U.S. port was in December 2016, when a two Jiangkai II-class frigates and a Fuchi-class oiler made a "routine port visit" to San Diego for "sporting events and cultural exchanges." This was the third PLAN visit to San Diego since 2014. "Chinese Navy Ships Visit San Diego," U.S. Navy Press Office (December 7, 2016), https://www.navy.mil/Press-Office/Press-Releases/display-pressreleases/Article/2256660/chinese-navy-ships-visit-san-diego/.

[47] Autoridad del Canal de Panamá, *Informe de Gestión 2024* (September 2024), https://pancanal.com/wp-content/uploads/2021/09/Informe-2024Esp76.pdf.

[48] Canal de Panamá, "Multimedia," Panama Canal Authority (2025), https://multimedia.panama-canal.com/.

Operating a port adjacent to the canal, however, does not afford any unique capability for the operator to obstruct safe transit through the waterway. As witnessed during the *Ever Given* crisis in the Suez Canal in 2021, any large ship can intentionally or unintentionally impede safe transits through narrow chokepoints for days or weeks. Scuttling a ship in the lock system or, more aggressively, emplacing naval mines in the harbor are other methods that could seize up a maritime chokepoint for an indefinite period. These and other methods create perhaps unavoidable vulnerabilities that do not arise from operating facilities adjacent to the canal. Chinese-owned or -flagged ships make regular transits through the canal and could readily be tasked with such a mission, should Beijing consider it advisable.

The correlation of forces in the Western Hemisphere makes it inadvisable for Chinese leadership to test their military capabilities against the U.S. in or around the Panama Canal. Huge and enduring American advantages in combat power and readiness afforded by its proximity and presence in the region provide ample reason for Beijing to reject the idea of fighting symmetrically or kinetically in this hemisphere. Even efforts to interfere with the flow and positioning of U.S. forces is likely to be more costly than constructive, given close U.S. defense cooperation with the Panamanian government, which includes a bilateral ship boarding agreement (through the Proliferation Security Initiative) that would enable early detection and assertive action if there were plausible indicators and warnings of a threat to the canal's security.[49] U.S. military intervention in the hemisphere is also credible and not without precedent, particularly in Panama.[50] Further, after the reversion treaties restoring the Panama Canal Zone to Panamanian sovereignty, the U.S. Senate reserved a right to intervene again "in the event of armed attack against the canal, or when, in the opinion of the President, conditions exist which threaten the security of the Canal."[51]

The ports of Chancay in Peru and Paranaguá in Brazil are more remote from U.S. direct national security concerns. Even if Lima or Brasilia were to permit significant PLAN access to those facilities, their geography does poses a lesser threat to American strategic interests. Any PLA status of forces or basing agreement with another nation in this hemisphere, whether in a PRC firm-owned port or not, would be interpreted in Washington as a serious threat. From Beijing's strategic vantage, then, there is very little to be gained by posturing itself to project marginally more combat power from a theater in which the U.S. military fields far superior capabilities and enjoys ready access. Testing America's long-standing exclusivity about hemispheric security would be a risky and counterproductive deviation from China's clear strategic imperives, which remain anchored in the Western Pacific.[52]

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[49] U.S. Department of State, "U.S. and Panama: Maritime Ship Boarding Agreement," Department of State Archive (May 12, 2004), https://2001-2009.state.gov/r/pa/prs/ps/2004/32414.htm.

[50] "Panama invasion: The U.S. operation that ousted Noriega," *BBC* (December 19, 2019), https://www.bbc.com/news/world-latin-america-50837024.

[51] U.S. Congress, Panama Canal Act of 1979, Public Law 96-70, Title I, §1108, enacted September 27, 1979, 93 Stat. 458.

[52] U.S. Department of State, Office of the Historian, Roosevelt Corollary to the Monroe Doctrine (1904), Milestones: 1899-1913, https://history.state.gov/milestones/1899-1913/roosevelt-and-monroe-doctrine.

II(b) Non-traditional security considerations

Chinese port investments in the hemisphere are unlikely to pose direct military threats to America's homeland security nor challenge its regional military predominance. However, they expose certain physical and digital vulnerabilities in U.S. maritime infrastructure and transportation networks that warrant heightened scrutiny and coordinated mitigation efforts. Building on the technical assessments by senior cybersecurity and maritime operational security experts from the Department of Homeland Security and Coast Guard in previous testimony before this Subcommittee, the following assessments draw on subsequent events and further consider the level and effect of party-state control over China's private firms and SOEs.[53]

The most probable risks posed by Chinese companies' port investments in the United States arise from PRC-made equipment and software nested within maritime infrastructure and transportation systems. By introducing so-called "Smart Ports" and related digital technologies and processes into critical infrastructure across the hemisphere, Chinese firms have installed a range of sensors, modems, software, and digital back doors that may readily enable intelligence collection and covert surveillance – and also hold some potential to disrupt vital operations at U.S. ports.[54] Certain well-documented exploits, like "Salt Typhoon," serve as cautionary examples, highlighting the potential for destructive or disruptive attacks within the existing threat landscape.[55]

Yet without direct observation, it is impossible to assess or predict the degree to which Chinese intelligence services and other state actors may exert positive control over PRC enterprises' equipment and software. Technical methods exist to remotely monitor and access the information and communication technologies of PRC firms operating overseas, in compliance with PRC regulations; these tend to enable broad surveillance and require data sharing for national security purposes. There can be no certainty about the multifarious uses state actors may find for these data (e.g., industrial espionage, intelligence collection, or cyber exploitation). However, the growing pervasiveness of Xi Jinping's "comprehensive national security outlook" means that this is a fast-moving target: firms that were once relatively free to operate more or less in line with foreign laws and norms are gradually losing that already-limited autonomy.[56] SOEs are already under close supervision and management, and will be responsive to political objectives. Firm leadership has been force-fed a comprehensive diet

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[53] U.S. Congress, House, *Evaluating High-Risk Security Vulnerabilities at our Nation's Ports*, 118th Congress (May 10, 2023), https://www.congress.gov/event/118th-congress/house-event/115887, p. 33

[54] Iris Deng, "What China is doing to make ports 'smart' and not prone to work stoppages," *South China Morning Post* (November 11, 2024), https://www.scmp.com/tech/tech-trends/article/3285840/what-china-doing-make-ports-smart-and-not-prone-work-stoppages.

[55] U.S. Department of the Treasury, "Treasury Sanctions Company Associated with Salt Typhoon and Hacker Associated with Treasury Compromise," *UST Press Release* (January 17, 2025).

[56] Chen Yixin [陈一新], "Fully Implement the Overall National Security Outlook [全面贯彻总体国家安全观]," *Qiushi* [求是] https://interpret.csis.org/translations/fully-implement-the-overall-national-security-outlook/.

of Xi Jinping Thought on cybersecurity and learned that "There is no national security without cybersecurity." This securitization has proceeded in waves of new laws and policies that demand invasive "data localization" and disclosure in order to "protect" commercial and personal information and communications networks. [57]

Even for private multinational firms based in Hong Kong, the business and political environment at home and abroad has rapidly come to be more like situation of visible control over the private sector and civil society that prevails in mainland China. While even five years ago a firm like Hutchison could exercise a reasonably high degree of autonomy, company leaders are quietly but quickly growing pragmatic about obeying Beijing's dictat. Meanwhile COSCO, as a central SOE, "assumes greater responsibility for political directives and priorities" than do private firms with leaders whose networks can "obscure company affairs from external [and party] scrutiny, or push back against administrative superiors." Hutchison and its international stakeholders would surely struggle against attempts to weaponize its global network of infrastructure assets and investments by deploying PLA for any hostile purpose. Despite Hutchison's greater remove from state control than its SOE counterparts, the firm observably does not deny berths to a PLAN vessels that request to call.[58] In the normal course of diplomatic affairs, of course Panama would be entitled to reach its own sovereign decision about whether to authorize any foreign naval visit.

III. Recommendations

A. China's presence in U.S. ports presents unquantified but material risks to critical maritime and transportation infrastructure – but unwinding it recklessly will do more harm than good. PRC firms' partial ownership or operation of a small number of U.S. port terminals should not be the primary national security concern in this line of inquiry. These joint ventures fall under strict federal and local jurisdiction and supervision. Auditing and, if necessary, terminating, renegotiating, or forcing divestiture of port concessions is not likely to mitigate the more compelling risks associated with Chinese technologies present across a range of physical and digital transport and communications systems. Surveillance cameras, cranes, logistics software, shipping containers, and other technologies are embedded components of port systems and often necessary for stable operations – and not only at PRC firms' port terminals. Sharper attention and stricter guidelines should be applied to mandatory cybersecurity screening across U.S. port networks, coupled with targeted investments to produce indigenous or

[57] "Xi Jinping on Cybersecurity [习近平谈网络安全观]," *Qiushi* [求是] (September 19, 2016), https://archive.ph/LS41V. Xi stated that "At present, my country must quickly introduce basic cyberspace laws such as the Cybersecurity Law, E-Commerce Law, Personal Information Protection Law, Internet Information Service Management Law, E-Government Law, and Information Communications Law to safeguard network operation security, data security, and information content security in accordance with the law, and comprehensively promote the rule of law in cyberspace."

[58] Among the 32 overseas ports with Hutchison terminals, just over a third of them (11) hosted at least one PLAN port call between 2001 and 2022.

friend-shored alternatives. Tariffs will be insufficient (and likely unnecessary) to wean U.S. industry off of risky PRC equipment at any price point, given the unavailability of substitutes and the long time-lags to purchase, manufacture, and install heavy machinery like ship-to-shore cranes.

B. **The Panama Canal is an enduring and vital national security interest, and the Panamanian government is our essential partner in its protection.** In order to maintain the efficient functioning of the waterway for both American and international commerce and free navigation, our governments should better coordinate efforts to ensure the neutrality and security of the Panama Canal. American leaders should stimulate private capital to invest in upgrading the canal system and adjacent port terminals, work cooperatively to improve the booking and auction system for transit slots, assist the audit process of the PPC concession, and share resources and intelligence that will enable Panamanian authorities to better monitor Chinese enterprises' activities across a range of port and canal infrastructure, including bridges, rail, road, and communications systems throughout the canal zone.

C. **Chinese military control over ports in the Western Hemisphere is unlikely and runs contrary to Beijing's strategic objectives in the region.** The correlation of forces in the hemisphere is balanced heavily in U.S. favor from a military standpoint. Any power projection the PLA may generate from access to deep-water ports is limited by its appetite for overt military rivalry in America's backyard. Those military activities that do occur are more likely to be associated with diplomatic outreach and intelligence collection, neither of which warrants forcing Latin American countries to choose a great power patron. A more effective strategy will be to reinforce America's strong defense partnerships across the region and cooperate more deeply with friendly countries to address their primary national security concerns. Beyond arms sales and military exercises, additional emphasis should go towards non-traditional security assistance like law enforcement equipment and training. These efforts will bear fruit for homeland security concerns about illegal immigration and drug trafficking.

D. **National maritime security requires global maritime partnerships.** China has achieved extraordinary scale and growing sophistication in its maritime industries, building a merchant and naval fleet that dwarfs our own, and driving unprecedented maritime trade volumes through its global network of ports. To compete with Chinese maritime power, Washington will need to pursue ambitious measures to restore our previous strength in the sector. Even with heroic industrial policy and private sector cooperation, there is no short- or even medium-term option to compete port for port or ship for ship with the PRC. But fortunately there is also no need to do so because American allies and partners in places like Japan, South Korea, Taiwan, and across Europe are sophisticated and capable shipbuilders, port operators, infrastructure developers, and equipment manufacturers. Creative bills like the SHIPS for America should be priority legislative efforts, in particular the creation of a Maritime Security Advisor and Board to coordinate and oversee whole-of-nation maritime strategy.

Annex A

Table 1: Chinese firms' ownership and operation of ports in the Americas

Port Name	中文	Country	Terminal	PRC Owner (%)	Terminal Operator	Ownership/Concession/Management Detail	Date of project initiation
Freeport	自由港	Bahamas	Freeport Container Port	Hutchison (51%)	Hutchison Port Holdings	JV with Terminal Investment Limited (Switzerland)	1994
Paranagua (TCP Participação(ões))	巴拉那瓜	Brazil	Terminal de Contêineres de Paranagua (TCP)	China Merchants (100%)	Terminal de Contêineres de Paranagua (TCP)	China Merchants sold 22.5% of its stake in 2020 to China Portugal Development Fund & China Latin America Development Fund	2018
Kingston	金斯敦	Jamaica	Kingston Container Terminal North, South, and West Terminals	China Merchants (49%)*	Terminal Link	Concession 2015-2045	2019
Ensenada	恩塞纳达	Mexico	Ensenada International Multipurpose Terminal (EIT)	Hutchison (100%)	Ensenada International Terminal	Hutchison concession extended 2017-2037	2001
Veracruz	韦拉克鲁斯	Mexico	Internacional de Contenedores Asociados de Veracruz (ICAVE Container Terminal) & ICAVE New Port	Hutchison (100%)	Hutchison Ports ICAVE	Hutchison concession extended 2016-2036	2001
Lázaro Cárdenas	拉萨罗卡德纳斯	Mexico	Lázaro Cárdenas Terminal Portuaria de Contenedores (LCTPC) & Multipurpose Terminal (18)	Hutchison (100%)	LC Terminal Portuaria de Contenedores, S.A. de C.V	Hutchison initiated 50% expansion of Specialized Container Terminal in 2023	2003
Manzanillo	曼萨尼约	Mexico	Terminal Internacional de Manzanillo (TIMSA)	Hutchison (100%)	Hutchison Ports TIMSA	TIMSA provides stevedoring services to the whole port	1998
Balboa	巴尔博亚	Panama	Panama Ports Company, S.A.	Hutchison (90%)	Panama Ports Company (Dutch and Singaporean firms operate other terminals)	PPC lease renewed 2021-2047, under audit as of Jan. 2025	1997
Cristóbal	克里斯托瓦尔	Panama	Panama Ports Company, S.A.	Hutchison (90%)	Panama Ports Company (all terminals)	PPC lease renewed 2021-2047, under audit as of Jan. 2025	1997
Chancay	钱凯	Peru	CSP Chancay Terminal	COSCO (60%)	Terminales Portuarios Chancay, S.A.	JV with Volcan Compañía Minera S.A.A (Peru). COSCO appoints 4/7 board members	2019
Los Angeles	洛杉矶	USA	West Basin Container Terminal & China Shipping Container Terminal	COSCO (49%)	China Shipping NA (berths 100-102); Yang Ming Marine Transport (berths 121-124, 126-131)	JV with Yang Ming (Taiwan) & SSA Marine (USA)	2001
Long Beach	长滩	USA	Pier J - Pacific Container Terminal (PCT) (High & Low)	COSCO (51%)	Pacific Maritime Services	JV with SSA Marine (US) and CMA CGM (France)	2002
Seattle	西雅图	USA	Terminals 25, 28, 30	COSCO (33%)	SSA Terminals	JV with SSA Marine (US) and Matson Group (US)	2007
Miami	迈阿密	USA	South Florida Container Terminal	China Merchants (26%)*	Terminal Link/APM Terminals	JV between Terminal Link (France) and AP Møller-Maersk (Denmark)	2013
Houston	休斯敦	USA	Bayport Container Terminal & Cruise Terminal	China Merchants (26%)*	Port of Houston Authority (Terminal Link provides stevedoring)	JV between Terminal Link (France) & Ports America (US)	2013

* Terminal Link is a JV between China Merchants (49%) and CMA CGM (51%)

Source: Kardon and Leutert, "Appendix for "Pier Competitor." Full size image artifact available at https://claude.site/artifacts/363cffa0-ddbe-4401-a061-63ce0dea8dc0.

Table 2: Latin America & the Caribbean Top Exports to China (2020-2023)

Product	Share of total	Major Suppliers
Copper ores, concentrates	18.6%	Chile (51%), Peru (33%), Mexico (10%)
Soybeans, other oilseeds	18.1%	Brazil (93%), Argentina (6%)
Iron ores, concentrates	14.1%	Brazil (86%), Peru (7%)
Crude petroleum oils	10.9%	Brazil (81%), Colombia (14%)
Copper	5.6%	Chile (83%), Peru (14%)
Total, top 5 products	**67.2%**	

Data Source: Rebecca Ray, Zara C. Albright, and Enrique Dussel Peters, "China-Latin America and the Caribbean Economic Bulletin," University Global Development Policy Center (2024).

Annex B:

Image 1: Xi Jinping at Port of Los Angeles, WBCT (2012)



Source: "Xi Jinping Visits China Shipping Los Angeles Terminal" (February 16, 2012), https://archive.ph/p5WxH

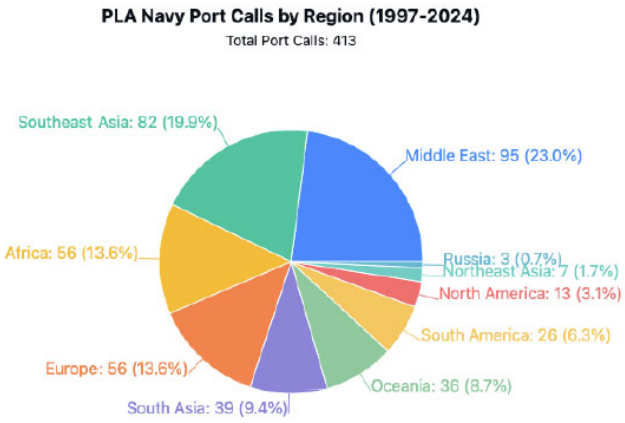
Image 2: Xi Jinping at Port of Los Angeles, WBCT (2012) [with Yang Jiechi]



Source: "Xi Jinping Visits China Shipping Los Angeles Terminal" (February 16, 2012)
https://archive.ph/NldRj#selection-113.0-113.15

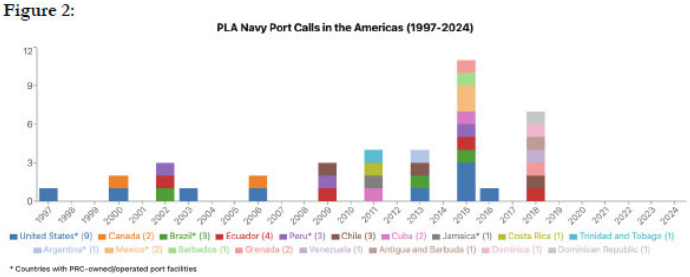
Annex C:

Figure 1:



Data Source: Center for the Study of Chinese Military Affairs, "Chinese Military Diplomacy Database v4 (Washington, D.C.: National Defense University, August 2024)

Figure 2:



Data Source: Center for the Study of Chinese Military Affairs, "Chinese Military Diplomacy Database v4 (Washington, D.C.: National Defense University, August 2024)

Chairman GIMENEZ. Thank you, Dr. Kardon.

I now recognize Dr. Kroenig for 5 minutes to summarize his opening statement.

STATEMENT OF MATTHEW KROENIG, VICE PRESIDENT AND SENIOR DIRECTOR, SCOWCROFT CENTER FOR STRATEGY AND SECURITY, ATLANTIC COUNCIL AND PROFESSOR OF GOVERNMENT AND FOREIGN SERVICE, GEORGETOWN UNIVERSITY

Mr. KROENIG. Chairman Gimenez, Ranking Member McIver, distinguished Members of the committee, thank you for the oppor-

tunity to testify on the important topic of Chinese strategic port investments in the Western Hemisphere and the implications for U.S. homeland security.

I want to assist your work by sharing insights gleaned from my more than 2 decades of experience working on U.S. national security at the Central Intelligence Agency, Department of Defense, the Congressional Commission on the Strategic Posture of the United States, and now as a scholar at Georgetown University and a vice president at the Atlantic Council.

My message today is simple. China's port investments in the Western Hemisphere pose a serious national security threat to the United States and its allies. Washington and regional states should work together to decouple from Chinese investments in ports and other areas critical to national security.

China poses the greatest contemporary threat to U.S. national security. It's a comprehensive challenge with economic, technological, diplomatic, ideological, and military dimensions. Ultimately, the rivalry concerns the future of global order.

China employees overseas infrastructure investments, including in the Western Hemisphere, as part of its grand strategy. Countries in the Western Hemisphere are often attracted to China's infrastructure investments but they come at a cost. Through its investments, China cements access to resources, captures elites, gains leverage over governments, shifts national policies in its favor, and undermines democratic norms in transparency and environmental standards.

China's investments in ports, including in Peru and Panama, pose a number of threats to U.S. homeland security. Chinese-operated ports are used to facilitate the shipment of fentanyl precursors to the United States. China exploits the presence of technology and access to data for an intelligence advantage.

China could restrict or block access to ports threatening American trade and economic well-being. In the event of a crisis or war, China could hinder the passage of American naval vessels undermining American war plans.

China could also use deep water ports to host naval vessels, enabling the projection of military power into the Western Hemisphere. As Secretary of State Marco Rubio recently and correctly stated, "The status quo is unacceptable."

There are a number of steps the United States should take to counter Chinese port investments in the Western Hemisphere to protect U.S. and allied security. The United States should encourage countries in the Western Hemisphere to adopt a derisking approach to China.

Regional governments do not need to choose between the United States and China. They can continue trade with China in non-sensitive areas such as agriculture, but U.S. allies and partners should pursue a hard decoupling with China in areas of sensitive national security concern such as telecommunications, advanced technology, ground satellite stations, surveillance systems, critical minerals, and critical infrastructure, including ports.

Donald Trump, President Trump has said of the Panama Canal, "We gave it to Panama and we're taking it back." I applaud the Panamanian government's subsequent decision to forego renewal of

their participation in China's Belt and Road Initiative, and Panama should use its current audit of operators in the Panama Canal area as an opportunity to sever the contracts with Chinese companies and to rebid the contract to U.S. or allied companies that will better ensure American and Panamanian interest.

Encouraging regional countries to derisk from China will often be doing these countries a favor. Many Latin American countries entered into agreements with China years ago under previous governments and different geopolitical conditions.

Today these same countries understand that undue Chinese influence in sensitive sectors is not in their interest, but they do not have the ability to stand up to China on their own, pointing to the United States as the bad cop, and help these countries take necessary steps that would be difficult to take on their own.

Washington cannot, however, expect regional countries to trade something for nothing. The United States must provide credible and affordable alternatives to Chinese infrastructure investments. To do this, the United States has a number of advantages. We have a number of ways to incentivize our vibrant private sector to invest in the region.

The United States has a robust network of allies and partners we can coordinate, European, Japanese, Australian, and South Korean efforts to provide aid and alternatives in the region.

Third, the United States and its allies can compete on quality when it comes to environmental standards, labor standards, technical know-how, and so forth.

Finally, as the Trump administration looks to increase defense spending and debates regional priorities, it should boost the budget of U.S. Southern Command and increase SOUTHCOM training and exercises with regional partners.

Appended to this statement is a copy of a strategy to counter malign Chinese and Russian influence in Latin America and the Caribbean, an Atlantic Council report I co-authored last year that explores these issues in greater detail and provides actionable recommendations.

I'm honored that the Committee on Homeland Security has invited me to share my views on these challenges, and I look forward to taking your questions.

[The prepared statement of Dr. Kroenig follows:]

PREPARED STATEMENT OF MATTHEW KROENIG

FEBRUARY 11, 2025

Chairman Gimenez, Ranking Member McIver, distinguished Members of the committee, thank you for the opportunity to testify on the important topic of Chinese strategic port investments in the Western Hemisphere and the implications for U.S. homeland security.

I want to assist your work by sharing insights gleaned from my more than 2 decades of experience working on U.S. national security policy at the Central Intelligence Agency, Department of Defense, the Congressional Commission on the Strategic Posture of the United States, and now as a scholar at Georgetown University, and a vice president at the Atlantic Council.

My message today is simple: China's port investments in the Western Hemisphere pose a serious national security threat to the United States and its allies and partners in the region. Washington and regional states should work together to decouple from Chinese investments in ports and other areas critical to national security.

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China employs overseas infrastructure investments, including in the Western Hemisphere, as part of its grand strategy. Countries in the Western Hemisphere are often attracted to China's infrastructure investments, but they come at a cost. Through its investments, China cements access to resources, captures elites, gains leverage over governments, shifts national policies in its favor, and undermines democratic norms, and transparency and environmental standards.

China's investments in ports, including in Peru and Panama, pose a number of threats to U.S. homeland security. Chinese-operated ports are used to facilitate the shipment of fentanyl precursors to the United States. China exploits the presence of technology and access to data for an intelligence advantage. China could restrict or block access to ports, threatening American trade and economic well-being. In the event of a crisis or war, China could hinder the passage of American naval vessels, undermining American war plans. China could also use deep water ports to host People's Liberation Army Navy vessels, enabling the projection of military power into the Western Hemisphere.

As Secretary of State Marco Rubio correctly stated, this status quo is unacceptable. There are a number of steps the United States should take to counter Chinese port investments in the Western Hemisphere and protect U.S. and allied security, freedom, and prosperity.

The United States should encourage countries in the Western Hemisphere to adopt a de-risking approach to China. Regional governments do not need to choose between the United States and China. They can continue lucrative trade with China in non-sensitive domains, such as agriculture. But U.S. allies and partners should pursue a hard decoupling with China in areas of sensitive national security concern, such as: telecommunications, advanced technology, ground satellite stations, surveillance systems, military and intelligence cooperation, critical minerals, and critical infrastructure, including ports.

President Donald J. Trump said, "China is operating the Panama Canal and we didn't give it to China, we gave it to Panama, and we're taking it back."

I applaud the Panamanian government's subsequent decision to forgo renewal of their participation in China's Belt and Road Initiative (BRI). Panama should use its current audit of operators in the Panama Canal area as an opportunity to sever the contracts with Chinese companies and to re-bid the contract to U.S. or allied companies that will better ensure American and Panamanian interests.

Pressuring regional countries to de-risk from China will often be doing these countries a favor. Many Latin American countries entered into agreements with China years ago under previous governments, in a different geopolitical environment. Today, these same countries now understand that undue Chinese influence in sensitive sectors is not in their interest, but they do not have the ability to stand up to China on their own. Pointing to American pressure, as the "bad cop," can help these countries take necessary steps that would be difficult to take on their own.

Washington cannot, however, expect regional countries to trade something for nothing.

The United States must provide credible and affordable alternatives to Chinese infrastructure investments. The U.S. Government cannot compete with Chinese-subsidized infrastructure investments on price or scale, but it has a number of other advantages.

First, it should incentivize its vibrant private sector to invest in the region. Institutions like the International Development Finance Corporation and the Export-Import Bank should continue their transformation into instruments to advance American interests in this new era of great power confrontation.

Second, the United States should leverage its global network of allies and partners for great power competition in the Global South. The European Union and U.S. allies in the Indo-Pacific, such as Australia, Japan, and South Korea, have world-class technology companies, extensive trade relationships in the Western Hemisphere, and significant foreign aid programs. To be most effective, however, the various activities should be brought together in a coordinated fashion, guided by Washington.

Third, the United States and its allies can compete on quality. While Chinese investments are often economically attractive, they come with strings attached. The United States and its free world allies can outcompete China on free and fair-trade practices, transparency, anti-corruption, rule of law, technical know-how, and high labor and environmental standards.

Finally, as the Trump administration looks to increase defense spending and debates regional priorities, it should boost the budget of U.S. Southern Command and

increase SOUTHCOM training and exercises with regional partners. In the worst-case scenarios, SOUTHCOM must be prepared to step in and secure access to ports and open sea lines of communication.

Appended to this statement is a copy of "A Strategy to Counter Malign Chinese and Russian Influence in Latin America and the Caribbean," an Atlantic Council report I co-authored last year that explores these issues in greater detail and provides actionable recommendations.*

I am honored that the Committee on Homeland Security has invited me to share my views on these challenges, and I look forward to taking your questions.

Chairman GIMENEZ. Thank you, Dr. Kroenig.

I now recognize Dr. Berg for 5 minutes to summarize his opening statements.

STATEMENT OF RYAN C. BERG, DIRECTOR, AMERICAS PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. BERG. Chairman Gimenez, Ranking Member McIver, distinguished Members of the subcommittee, I'm honored to share my views with you this morning on this critical topic.

Concern about the People's Republic of China advancing in the construction, operation, and even the ownership of ports is nothing new. What has changed is the geopolitical and economic contexts.

The United States has shaken its post-Cold War stupor. The United States is no longer asleep at the switch as strategic rivals set down roots in our shared neighborhood. And the United States is once again exercising its competitive muscles in geographies unaccustomed to this level of U.S. attention.

According to a recent analysis by the Council on Foreign Relations, as well as a China activities dashboard maintained by the Florida International University, almost 130 ports globally have some degree of PRC ownership or operation.

One distinctive feature stands out. More than half of China's ports sit on major shipping lanes and strategic choke points. In the Western Hemisphere this has meant port terminals in at least 3 locations in Mexico, the Hutchinson Ports at the strategic approaches of the Panama Canal, the recently-opened mega port in Chancay Peru, plans for a deep water port in St. John's Harbor in Antigua, a 90 percent stake in the Port of Paranagua for China Merchants Port Holding Company in Brazil, a 100 percent stake in the Kingston Freeport Terminal for the same company, and designs on a port near Punta Arenas in Chile and near the Drake Passage in Argentina.

The PRC's military-civil fusion strategy creates risks for both soft commercial espionage and hard security risks in a potential conflict situation. Beijing's national security law amounts to a state-mandated espionage while SOUTHCOM has highlighted several hard security risks and posture statements to this very Congress, radar and GPS jamming, physical blockades, and even containerized weapon systems.

Given the importance of ports in general, the activities and global reach of transnational criminal organizations, there is also emerging evidence that Chinese-operated and -owned ports could

*The report can be found at *https://www.atlanticcouncil.org/content-series/atlantic-council-strategy-paper-series/a-strategy-to-counter-malign-chinese-and-russian-influence-in-latin-america-and-the-caribbean/*.

also be catalyzers of TCO group activities in illicit markets given the PRC's reliance on opacity as a key operating principle.

However, not all Chinese ports are the same. China has hundreds of thousands of state-owned enterprises and the ones that collaborate with the PLA are mostly well-known and many are, in fact, blacklisted by our Government. Those SOEs should be the subject of extra focus and scrutiny,

Mr. Chairman, in my remaining time I'd like to move to some policy recommendations. First, I think we need to create a methodology for a spectrum of concern regarding Chinese-owned and -operated ports. Four criteria would be basic starting points for me.

First, the location of the port both in terms of the proximity to the U.S. homeland and its position vis-à-vis key maritime trade routes; second, the mode of cooperation between China and Latin American host country; third, the relationship between the host government and Beijing; and fourth, the criticality of a particular port to global trade.

The second recommendation, I think we need to consider leveraging the DFC and other multilateral financial institutions to launch a port buyback program in cases where the PRC is the owner. In the cases where the PRC is the port operator, these institutions may consider supporting a program to help countries terminate agreements early and entice more transparent operators to bid on concessions that become available.

The United States should also stand up a program to reduce Chinese equipment, both software and hardware, at Western Hemisphere ports. As I understand it, current U.S. law does not permit the systems to foreign ports to extricate Huawei equipment, for example, or ZPMC cranes.

Third, the United States must find a way to make a better offer in these select and critical areas. Simply put, we need to up our game in commercial diplomacy. We should grow our commercial service by 2 to 3 times by recruiting people with a decade or more of private-sector experience, including with cross-cultural skills in the regions where they'd be working. We should bring these individuals in to embassies via direct non-foreign service officer test and hiring pipeline. We can use IEFA, I believe, to create the recruiting and on-boarding process.

We should also establish a global Belt and Road task force as part of the State Department's China House to identify where the PRC is bidding on infrastructure projects, critical minerals projects, ICT networks, and so on. We must make commercial diplomacy a metric for success in every global south Ambassador's routine evaluations.

Fourth, I think we need to maintain overhead imagery collection programs on select PRC ports. The United States should maintain strong overhead imagery collection on Chinese-owned and -operated ports in LAC to ensure they do not expand or quietly but fundamentally alter their nature. This happened in the United Arab Emirates when we caught the Chinese expanding to accommodate military vessels, and the PRC was forced to cease construction.

I think with enthusiasm for China's BRI waning in recent years and following Panama's courageous decision to end its participation

in the BRI, the United States has opportunities to advance port infrastructure security.

With that, Mr. Chairman, I yield and look forward to the committee's questions.

[The prepared statement of Dr. Berg follows:]

PREPARED STATEMENT OF RYAN C. BERG

TUESDAY, FEBRUARY 11, 2025

Chairman Gimenez, Ranking Member McIver, and distinguished Members of the subcommittee, I am honored to share my views with you on this important topic. CSIS does not take policy positions, so the views represented in this testimony are my own and not those of my employer. In my testimony, I would like to reflect on the soft and hard security risks of Chinese port activity in the Western Hemisphere, the way PRC ports are rewiring the region's trade routes, the nexus between Chinese ports and transnational organized crime, and how we might develop a methodology for a spectrum of concern regarding Chinese port activity in Latin America.

"[T]he truth of the matter is that the People's Republic of China is rapidly filling the vacuum created by the departure of American military forces from the isthmus [of Panama] . . . Their presence adds to the danger of using the Colon Free Zone to purchase restricted technology with dual civilian-military use."—Dr. Tomás Cabal, December 7, 1999 at a hearing of the U.S. House Subcommittee on Domestic and International Monetary Policy.[1]

Concern about the Peoples Republic of China (PRC) advancing in the construction, operation, and even ownership of ports is nothing new. What has changed is the geopolitical and economic contexts. The United States has shaken its post-Cold War stupor. Policy makers are no longer asleep at the switch as strategic rivals set down roots in our shared neighborhood. And the United States is once again exercising its competitive impulses in geographies unaccustomed to this level of U.S. attention.

The rise of Xi Jinping changed everything for competition with the PRC in the Western Hemisphere. Not only does Xi tend to securitize all aspects of the U.S.-China competition, but he also hardened the consensus against the United States as he played to nationalism domestically. Two thousand fifteen was a watershed year for competition, as it saw the PRC pass its infamous National Security Law. In 2020, the PRC absorbed Hong Kong and passed an analogous 2020 Hong Kong Security Law. This "changed the equation for Chinese companies abroad," according to a former senior official on the Trump administration's national security council for the Western Hemisphere.[2] In the best of times, distinctions between private and state-owned firms are matters of degree in a communist regime; however, these laws require that Chinese and Hong Kong companies gather information on foreign entities and provide that data upon request to the Chinese Communist Party—tantamount to state-mandated espionage.

Within this context, growing PRC involvement in maritime ports in Latin America and the Caribbean (LAC) presents a serious challenge to U.S. maritime supremacy, freedom of navigation, data security, and supply chain security.

REGIONAL PANORAMA

According to a recent analysis by the Council on Foreign Relations, almost 130 ports globally have some degree of PRC ownership.[3] Between 2010 and 2019, Chinese companies ploughed $11 billion into overseas ports.[4] In roughly the same time period, the Chinese state subsidized its shipping companies to the tune of over $130 billion.[5] Almost half of the leading container ports outside of China have some Chinese ownership or operations.[6] One distinctive feature: more than half of China's ports tend to sit on major shipping lanes and strategic chokepoints.[7]

In the Western Hemisphere, this has meant port terminals in at least 3 locations in Mexico; the Hutchison Ports in the Panama Canal; a recently-opened megaport

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[1] *https://www.washingtonpost.com/wp-srv/WPcap/1999-12/08/008r-120899-idx.html.*
[2] *https://www.politico.com/news/2025/02/01/panama-trump-confrontation-war-00201759.*
[3] *https://www.cfr.org/tracker/china-overseas-ports.*
[4] *https://chinapower.csis.org/china-ports-connectivity/#:?:text=Learn%20more%20about%20the%20BRI,ports%20between%202010%20and%202019.*
[5] *https://www.csis.org/analysis/hidden-harbors-chinas-state-backed-shipping-industry.*
[6] *https://www.foreignaffairs.com/united-states/chinas-port-power.*
[7] *https://muse.jhu.edu/pub/6/article/855437/pdf.*

in Chancay, Peru; plans for a deepwater port in St. John's Harbor, Antigua, and Barbuda; and, designs on a port near Punta Arenas in Chile and near the Drake Passage in Argentina.

Chinese state-owned enterprises and black-listed companies often lead the way in construction, operation, and ownership of maritime ports in LAC. For instance, COSCO Shipping is a state-owned shipping and services provider that has a 60% ownership stake in the Chancay megaport in Peru. COSCO will also be the exclusive operator of the port, thanks to changes it forced into Peruvian law during port construction. When fully operational, Chancay's 4 berths and massive capacity will make it the largest port by 20-foot equivalent units (TEUs) in Latin America.[8]

Further south and on the Atlantic Coast, PRC state-owned entity China Merchants Port Holding Company owns 90% of the Port of Paranaguá, the second-largest port in terms of handling, and also operates it.[9] In the Panama Canal, Panama Ports Company, a subsidiary of Hong Kong-based company Hutchison Holdings, has operated 2 ports at the strategic approaches of the canal—Balboa on the Pacific side and Cristóbal on the Atlantic side—since 1997. Within the Caribbean, China Merchants Port has also acquired a 100% stake in the Kingston Freeport Terminal while the PRC has made steady advances on the island of Antigua. Finally, last November, the opening of the new megaport of Chancay in Peru drew attention to the PRC's advance in the commercial and potential military domains in South America.

MILITARY-CIVIL FUSION STRATEGY

Beyond the 2015 and 2020 National Security Laws, the strategic and security concerns of Chinese activity in LAC ports has been exacerbated by China's military-civil fushion strategy. At its base, military-civil fushion seeks to build the PRC into an economic, technological, and military superpower through blending and integrating military and civil, defense, and commercial, enterprises. In other words, the PRC has tied its economic development and increasing engagement with the outside world to its military modernization efforts.[10] Military-civil fushion has witnessed the PRC leverage talent in research and development with military goals.

First referenced as a guiding principle in former Chinese leader Hu Jintao's report to the 17th Party Congress in 2007, military-civil fushion has evolved from an integration approach to an official PRC military strategy in 2015.[11] As a major state strategy, military-civil fushion sits alongside other key drivers, such as the Made in China 2025 and Next Generation Artificial Intelligence plans. The United States Department of State says that military-civil fushion is applied most vigorously to dual-use and advanced technologies, such as quantum computing, big data, semiconductors, 5G, advanced nuclear and aerospace technologies, and artificial intelligence.[12]

Beijing has been known to deploy a range of methods to advance military-civil fushion, including talent recruitment programs, forced technology transfer, intelligence gathering, and theft. In 2021, the United States Department of Defense created a list of "Chinese military companies" operating directly or indirectly in the United States, which was last updated in early January with 134 companies.[13]

Furthermore, China's military-civil fushion strategy provides Beijing with an extensive logistical network to project its naval power globally.[14] PRC-operated ports exemplify China's goal of leveraging economic investment as an anchor to support military engagement. The PRC's dual-use facilities can support both commercial and military operations, from enabling military logistics and intelligence gathering in peacetime, to potentially facilitating naval operations in wartime.[15]

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[8] *https://globalconnectivities.com/2024/06/the-port-of-chancay-at-the-centre-of-sino-peruvian-relations/*.

[9] *https://www.reuters.com/article/world/europe/china-merchants-buys-control-of-brazils-most-profitable-port-idUSKCN1BF03B/*.

[10] *https://www.csis.org/blogs/trustee-china-hand/chinas-evolving-conception-civil-military-collaboration*.

[11] *https://thediplomat.com/2017/04/chinas-answer-to-the-us-military-industrial-complex/*.

[12] *https://2017-2021.state.gov/military-civil-fusion/*.

[13] *https://www.bloomberg.com/news/articles/2025-01-07/us-blacklist-of-china-s-tech-giants-risks-even-faster-decoupling*.

[14] *https://dialogo-americas.com/articles/cosco-shipping-hidden-force-behind-chinas-navy/*.

[15] *https://www.voanews.com/a/us-analysts-beijing-mixing-military-and-commercial-interests-abroad-/6946010.html*.

WHAT'S IN A PORT?

Ports involve much more than meets the eye. There are several strategic challenges presented by PRC activity in LAC ports: intelligence gathering and the potential for sabotage and adversarial military use.[16]

Commercial espionage with military implications

Under President Xi Jinping, the PRC has displayed an increasing interest in ensuring the activities of the private sector and state-owned companies serve the interests of the state. There are perhaps few examples that are better than ports, where the PRC is honing an ability to weaponize some of the world's most sensitive commercial information. The full extent of the PRC's information-gathering campaign is not known. The more rocks investigators turn over, however, the more they seem to find.

Beyond the requirement for Chinese companies operating overseas to gather and report information on foreign entities, PRC companies dominate the logistics software often used at ports. LOGINK is a Chinese logistics software that stores information such as maritime information, customs information, geolocation, regulatory filings, trade information, and booking data—in short, a treasure trove of data.[17] Given the 2015 National Security law, as one columnist puts it, "for Chinese firms, theft of your data is now a legal requirement."[18]

Even non-PRC ports can present threats if they feature Chinese equipment to move and scan commercial freight, for instance. In other words, the PRC can engage in commercial espionage even at those ports where only its equipment is present. Something as benign as the ZPMC ship-to-shore cranes moving containers are likely a tool for Chinese commercial espionage.[19] In a world where acute supply chain vulnerabilities are both commercial and defense concerns, Beijing's capabilities, even short of operating or owning a port, is a huge cause for concern. As two defense analysts have concluded: "With virtually all the world's seaborne goods passing through or near Chinese infrastructure, Beijing could easily leverage the information it accesses in order to selectively seize critical goods, such as medicines; divert or delay military components; or let essential supplies just sit in storage—no naval deployments needed."[20]

While the PRC is frantically collecting data on foreign ships and nations, it has blocked its own ships from sharing that data with other countries.[21] This mirrors the country's behavior in other commercial domains: increase others' dependence on it while reducing its own dependence on others.

Beyond commercial espionage concerns, PRC operated and owned ports are busy rewiring much of LAC's trade routes that will frustrate U.S. efforts to build safer and more secure supply chains in the future. Individual PRC ports intend to bolster China's competition in specific areas, such as ports that have been constructed principally or primarily to ship raw materials and critical minerals directly to mainland China.

Hard security risks and potential conflict with PRC

Within the various domains of warfare—land, sea, air, space, cyber space—port operation and ownership is critical to advancing the PRC's goals in the sea domain. Ports have long been key to controlling the world's waters, and control of the world's maritime routes has always been the key to global power. Sir Walter Raleigh famously said: "For whosoever commands the sea commands the trade; whosoever commands the trade of the world commands the riches of the world, and consequently the world itself." The Chinese are following a well-worn path: the United Kingdom's rise to global power coincided with the rise of its naval and maritime power; even more prominently, so did the United States'.

Chinese-operated and -owned ports host People's Liberation Army Navy vessels routinely. They also serve to reliably resupply and repair navy vessels during port calls. According to a global report by the group Maritime Executive, "a third of ports in which China made economic investments have hosted and also resupplied mili-

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[16] *https://www.csis.org/analysis/geopolitics-port-security-americas.*

[17] *https://www.uscc.gov/sites/default/files/2022-09/LOGINK-Risks__from__Chinas__Promotion__of__a__Global__Logistics__Management__Platform.pdf.*

[18] *https://thehill.com/opinion/cybersecurity/532583-for-chinese-firms-theft-of-your-data-is-now-a-legal-requirement/.*

[19] *https://www.wsj.com/politics/national-security/pentagon-sees-giant-cargo-cranes-as-possible-chinese-spying-tools-887c4ade.*

[20] *https://foreignpolicy.com/2023/09/20/china-shipping-maritime-logistics-lanes-trade-ports-security-espionage-intelligence/.*

[21] *https://www.bloomberg.com/news/articles/2021-11-24/china-blocks-access-to-maritime-shipping-data-ft-reports?sref=3OIZCXOE.*

tary vessels of the People's Liberation Army Navy."[22] As a rising revisionist power challenging the current global order, the PRC's maritime strategy revolves around a seemingly innocuous web of port operations that can reliably serve multiple uses in multiple contexts. It is imperative to understand that the PRC does not conceive of "inter-operability" in the same way as the United States; rather, the PRC understands "inter-operability" in terms of reliability in times of crisis. Port infrastructure is yet another form of under-the-radar, yet novel state power projection capability.[23]

Southern Command has repeatedly highlighted several other areas of concern in its yearly posture statements to the U.S. Congress. SOUTHCOM has noted how PRC port facilities can engage in electronic or cyber attacks, Global Positioning System jamming, or even physical attacks from containerized anti-ship weapons systems.[24] In a contingency situation, such disruptions could translate to significant vulnerabilities. For instance, last year, the U.S. House Select Committee on Strategic Competition between the United States and the Chinese Communist Party validated the idea that Hutchison's operations in the Panama Canal could delay military assistance to Taiwan.[25]

The PRC's maritime network is crucial to its strategy for global power projection. The United States should not expect the PRC to develop a similar network of naval bases around the world for power projection. Instead, Beijing intends to become a "pier competitor" by setting up a string of dual-use ports that can serve as an extensive international network of infrastructure for People's Liberation Army vessels.[26]

CHINESE PORTS AND ORGANIZED CRIME

Do LAC's criminal organizations prefer PRC-operated and -owned ports? While the answer to this question is not yet settled, initial indications demonstrate that LAC's criminal organizations may prefer Chinese-operated and -owned ports for their opacity and the volume of transpacific trade they handle. China is often the market for many of LAC's illicit goods, such as illegal wildlife, gold mining, and timber trafficking.[27] The PRC often insists on opacity and lack of accountability in many of its infrastructure investments in LAC.[28] As one scholar summarizes: "Bribes and corruption, in addition to coercion, are at the heart of any criminal organization seeking to exploit transportation or logistics facilities, including ports. This can involve paying a Customs official to overlook violations or a crane operator to load a specific container onto a truck driven by someone associated with a criminal organization, accepting or falsifying bills of lading, or ensuring that no one questions discrepancies in the information on manifests."[29]

The potential for organized crime to exploit PRC-operated and -owned ports is made easier when ports are vertically operated and one company has control over all the functions of the port. In the case of COSCO Shipping in Chancay, Peru, the state-owned company has control over activities on the quayside, stacking containers, inspecting containers, port security, and other functions. Meanwhile, several investigative NGO's have documented the involvement of Chinese ports in illegal wildlife trafficking.[30] Furthermore, illegal, unreported, and unregulated (IUU) fishing, committed often by the PRC, which has the largest fishing fleet in the world—a consequence of heavy state subsidies—often relies on Chinese-operated and -owned ports to ensure that illegal catch can make it ashore, become layered into legal fish stocks, and avoid the Agreement on Port state Measures intended to reduce IUU fishing. Even though China is not a signatory to the agreement, the document aims to bolster the capacity of developing countries to inspect cargo and flag catches that are the product of IUU fishing.[31] Leveraging Chinese-operated and -owned ports can obviate the risks involved with IUU fishing. Last, in a detailed, 4-part investigation for *Reuters,* journalists uncovered how Chinese-made fentanyl precursors transit Chinese port terminals in Mexico's Lázaro Cárdenas, Manzanillo,

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[22] *https://maritime-executive.com/magazine/when-china-shanghais-your-port*.

[23] *https://direct.mit.edu/isec/article-abstract/46/4/9/111175/Pier-Competitor-China-s-Power-Position-in-Global?redirectedFrom=fulltext*.

[24] *https://crsreports.Congress.gov/product/pdf/RL/RL33153/277*.

[25] *https://www.scmp.com/news/china/article/3262984/management-panama-canal-ports-hong-kong-firm-poses-risks-us-house-panel-hears*.

[26] *https://www.foreignaffairs.com/united-states/chinas-port-power*.

[27] *https://thehill.com/opinion/4533956-radical-transparency-is-democracys-secret-weapon-to-counter-china/*.

[28] *https://www.foreignaffairs.com/china/how-china-exports-secrecy*.

[29] *https://www.csis.org/analysis/are-chinese-ports-latin-america-preferred-organized-crime*.

[30] *https://earthleagueinternational.org/wp-content/uploads/2024/04/ELI-Operation-STEL-LA-MARIS-Investigative-Report-22-April-2024-1.pdf*.

[31] *https://foreignpolicy.com/2020/10/30/chinas-hunger-for-seafood-is-now-latin-americas-problem/*.

and Ensenada ports. In the investigation, criminal groups bragged about the ease with which they bribed port officials and ensured shipments of fentanyl precursors reliably entered Mexico through Chinese port terminals.[32]

TOWARD A SPECTRUM OF CONCERN

Not all ports are alike. Chinese activity in LAC ports varies widely, leading to divergent risks throughout the region. It is imperative that policy makers ruminate on a set of characteristics that can rank the threat of individual ports to national security and American interests. The following 4 criteria offer 1 initial rubric to evaluate the risks of a given port project and thereby better calibrate a U.S. response.

The first criterion is location, both in terms of the proximity of a port to the U.S. mainland and its position vis-à-vis key maritime trade routes. The closer a port is to the United States, the greater potential it holds as a hub for intelligence gathering and potentially as a staging ground for covert action against U.S. interests. For this reason, PRC-owned and operated ports in Mexico, Central America, and the Caribbean basin present some of the most important and immediate challenges. However, proximity to the continental United States is not the only way in which strategically-located ports can offer China a possible asymmetric advantage in competition with the United States. By controlling key maritime choke points, the PRC can exercise influence on the flow of international trade.[33] For this reason, the PRC's presence, through Hutchison Port Holdings' operation of the ports of Balboa and Cristóbal in Panama, has been the subject of much consternation in recent years. Further south, China has also sought to make inroads along Cape Horn, which controls the Drake Passage from Atlantic to Pacific as well as access to Antarctica.[34]

The second criterion is the mode of cooperation between China and the host country. Projects like the Port of Chancay in Peru, where a Chinese state-owned enterprise not only builds, but maintains an ownership stake and operational control over the port, should rank highest in this assessment, followed by ports where a PRC company has control over day-to-day activity. According to research by the Center for Strategic and International Studies, there are at least 14 ports in LAC where Chinese companies have either acquired a port in whole or in part, or possess a lease granting them operational control. By contrast, PRC companies have assisted with construction efforts in 18 ports throughout LAC. Contract construction is a less serious form of influence but nevertheless grants the PRC familiarity with a port and its infrastructure, as well as the ability to install preferred equipment and capabilities. This can translate to durable influence, particularly in the port technology space. For instance, while the planned expansion of the Colon Container Terminal in Panama by the Landbridge Group was canceled in 2023, Chinese security cameras installed as part of the project remain in place to this day.[35]

A third criterion is the relationship between the host government and Beijing. In general, the PRC cannot leverage LAC ports for military purposes without the approval of the host government, limiting the wartime utility of civilian ports. If, however, a port is located in a country which already has an adversarial relationship with the United States, this political hurdle becomes far easier to clear. Thus, special attention should be paid to port projects in the Western Hemisphere's 3 consolidated, anti-U.S. dictatorships—Cuba, Nicaragua, and Venezuela. Chinese companies have already assisted with 3 port construction projects in Cuba, including the modernization of the port of Santiago de Cuba, as well as 2 in Venezuela.[36] The United States should remain vigilant for any proposed initiatives in these countries that could offer a permissive environment for the PLAN to operate.

Finally, the fourth criterion is the criticality of a particular port to global trade. The more that commerce passes through a given PRC port facility, the greater potential for information gathering and influence. In 2023, the ports of Manzanillo and Lázaro Cárdenas in Mexico, operated by Hutchison, ranked third and eighth respectively in LAC by throughput, while Hutchison's 2 ports along the Panama Canal,

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[32] *https://www.reuters.com/investigates/special-report/drugs-fentanyl-brokers/*.

[33] *https://porteconomicsmanagement.org/pemp/contents/part1/interoceanic-passages/main-maritime-shipping-routes/*.

[34] *https://americasquarterly.org/article/why-the-u-s-and-china-suddenly-care-about-a-port-in-southern-chile/*.

[35] *https://www.csis.org/analysis/paper-tiger-or-pacing-threat*.

[36] *https://www.csis.org/analysis/chinas-intelligence-footprint-cuba-new-evidence-and-implications-us-security*.

when combined, would fall between fifth and sixth.[37] The new port of Chancay currently ranks lower in this standing, but if plans materialize to expand its capacity to move up to 3.5 million 20-foot equivalent units (TEUs), these numbers could catapult it to the third- or fourth-place spot. The more China is able to exercise influence over major nodes of commerce, the more it helps to rewire global commerce toward Beijing—and concomitantly, away from the United States. In times of conflict or crisis, this could also increase China's ability to maintain access to the raw commodities, particularly minerals and foodstuffs, it imports from LAC, helping further insulate the PRC from economic pressure.[38]

RECOMMENDATIONS

With enthusiasm for China's BRI waning in recent years, and following Panama's courageous decision to end its participation in BRI, the United States has several opportunities to advance maritime security and port infrastructure security. The United States must find a way to make a better offer to LAC.[39]

Yet, the United States cannot do this alone; it must rely on its partners and the multilateral financial banks to help ease the burden of responding to China's growing presence in LAC's port systems.[40] Countries such as Japan, South Korea, Taiwan, the Netherlands, and Australia are key partners in this endeavor.

Conduct a study to review LAC port security.—Similar to the Biden administration's supply chain review meant to identify vulnerabilities in key supply chains, a study could identify data the PRC has access to and the intelligence and surveillance each of its LAC ports permits it. A mandated study would also force policy makers to develop their own methodology for a spectrum of concern. Relatedly, a study that identifies the ports of greatest concern could then recommend law enforcement cooperation with local authorities to target the potential criminal use of PRC ports and improve transparency at PRC port facilities.

Insist on greater transparency in tenders, contracts, and operations.—The PRC excels at operating in opaque areas. LAC governments, too, have an incentive to reveal little about PRC port operations in their countries, and with greater PRC interest, tenders and contracts often fail to meet high standards. In LAC, the United States could select 1 or 2 ports to reform and ensure best practices. If reform is significant enough, Western companies will be more interested in operating LAC ports. This will require the United States to be more nimble and aware of opportunities when they present themselves. For instance, the United States was asleep at the switch when the Hutchison subsidiary Panama Ports Company received a 25-year no-bid renewal of its 2 port concessions.[41] Washington "literally zoned out."[42] Likewise, the United States failed to help Peru push back against the PRC regarding the operation and ownership of the Chancay megaport by Cosco Shipping. The PRC insisted upon these terms even though the Peruvians found an "administration error" that contravened the country's domestic law.[43] Rather than help Peru wiggle out of the contract with legal assistance, the United States stood by while Peru actively changed its domestic law to permit an arrangement that was previously illegal.

Maintain overhead imagery collection programs on select PRC ports.—The United States should maintain strong overhead imagery collection on Chinese-owned and -operated ports in LAC to ensure they do not expand or quietly but fundamentally alter their nature. When a commercial port in the United Arab Emirates was caught expanding to accommodate military vessels, the PRC was forced to cease construtions. When this happens, the United States should leverage occasional public releases of classified intelligence to pressure local governments and the PRC alike to abide by contract terms.[44] Imagery collection is also imperative for fighting organized crime and the nexus of transnational organized crime to Chinese ports. The appendix at the end of this document provides one example of how commercial satellite imagery might be used in such a way.

Leverage DFC and multilateral financial institutions to launch a port buyback program.—The United States should leverage the U.S. International Development

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[37] *https://www.porteconomics.eu/ranking-2023-of-latin-american-ports-and-container-terminals-the-seesaw-game/*.
[38] *https://cimsec.org/to-prepare-for-pacific-war-by-2027-the-united-states-must-harden-its-southern-flank/*.
[39] *https://www.csis.org/analysis/enabling-better-offer-how-does-west-counter-belt-and-road*.
[40] *https://www.csis.org/analysis/responding-chinas-growing-influence-ports-global-south*.
[41] *https://www.csis.org/analysis/key-decision-point-coming-panama-canal*.
[42] *https://www.csis.org/analysis/panama-zoned-out-strategic-opportunity*.
[43] *https://foreignpolicy.com/2024/05/13/peru-learns-to-read-the-fine-print-in-china-deals/*.
[44] *https://www.wsj.com/articles/us-china-uae-military-11637274224*.

Finance Corporation (DFC) and multilateral financial institutions to engage in port buyback programs where the PRC is the owner. In the cases where the PRC is the port operator, these institutions may consider supporting a program to help countries terminate agreements early and entice more transparent operators to bid on concessions. This would constitute an offensive equivalent to leveraging partners to ensure competitive bids against the PRC when LAC countries announce a bidding process for port construction. Similarly, short of buying out PRC owners, the United States should stand up a program to reduce Chinese equipment—both software and hardware—at LAC ports. Current U.S. law does not permit assistance to foreign ports to extricate Huawei equipment or ZPMC cranes, for instance. Another approach could leverage economic incentives to move away from Chinese equipment at LAC ports that exacerbate U.S. vulnerabilities.[45]

APPENDIX: SELECTED IMAGERY OF PRC-OWNED PORTS

The below appendix contains images of relevant PRC port projects in Panama and Peru obtained by CSIS from Maxar Technologies.



[45] *https://foreignpolicy.com/2023/09/20/china-shipping-maritime-logistics-lanes-trade-ports-security-espionage-intelligence/*.



Chairman GIMENEZ. Thank you, Dr. Berg.

I recognize Mr. Davis for 5 minutes to summarize his opening statements.

STATEMENT OF CARY DAVIS, PRESIDENT & CEO, AMERICAN ASSOCIATION OF PORT AUTHORITIES (AAPA)

Mr. DAVIS. Good morning, Chairman Gimenez, Ranking Member McIver, and distinguished Members of the subcommittee, thank you for the opportunity he testified today on critical issues for United States' ports and our national security. Let me just thank you for your bipartisan efforts to counter fentanyl. My best friend Sam died from an accidental overdose about 5 years ago, and I think of him every single day.

As the president and CEO of the American Association of Port Authorities, the unified voice of the U.S. port industry for the last 113 years, I'm honored to testify here. According to a recently-released economic contribution report from former CBO economists, our ports are responsible for $2.9 trillion in economic activity and

22 million American jobs, or more than 1 out of every 8 jobs in our Nation's work force.

China is investing in global port infrastructure exactly because it recognizes the profound economic and geopolitical advantages that critical trade gateways provide. There's been concern about Chinese companies at 5 terminals.

As this committee's Majority report highlights, we are talking about minority stakes in a handful of lease terminals and all tenants at U.S. ports must comply with laws, regulations, and oversight from all levels of government. Everyone knows we want the highest standard of security at our critical infrastructure.

The funding enacted through the bipartisan infrastructure law was historic, designating $450 million annually from fiscal years 2022 to 2026 for the Port Infrastructure Development Program, or PIDP. This critical funding is oversubscribed by 4 times.

Unfortunately, even at the height of Federal port funding here in the United States, we lag in comparison to China which spends well over double the U.S. in port investment. We also need to increase direct investments such as the Port Security Grant Program, which is authorized by this committee, however, it has unfortunately not been fully appropriated to its authorized level of $400 million in over a decade.

Another way to secure American ports is to manufacture cargo handling equipment, which China heavily subsidizes. While it would take years to stand up production lines, near-term Congress can permit friend-shoring with trusted allies to ensure U.S. ports have access to secure, reliable, and modern equipment while reducing reliance on China.

AAPA recently brought American ports, terminal operators, equipment manufacturers, Government officials, and other stakeholders literally to the same table to discuss how to make American-made cargo handling equipment a reality. AAPA is going to continue leading this discussion when we host another meeting here in March in Washington, DC, and we invite Members of this committee to join us.

To incentivize procurement from our allies we can streamline the waiver process for Build America Buy America provisions. Last year Members of this subcommittee recommended these waivers, as well as incentives for domestic manufacturing. Bravo Zulu, as we say in the maritime industry.

A major hindrance to growth, resilience, and modernization of ports is tariffs. Tariffs are attacks on American businesses and households. AAPA believes that expanding our Nation's presence in ports of allied countries is also critical to revitalize America's strategic maritime posture. AAPA has collaborated with the U.S. State Department to set up sister port partnerships in the Middle East, North Africa, and Latin America, and we facilitate other work between the U.S. Government and LATAM and Caribbean ports.

The bottom line today is that the United States continually regulates Chinese investment in ports. CFIUS is the primary mechanism for reviewing and mitigating any risks from foreign ownership or investment on top of our industry's work with many other Federal agencies.

Our port industry believes the best counter to Chinese influence, especially at ports in our hemisphere, is strong leadership by the United States through strategic port investment. We must strive to keep our port infrastructure modern and globally competitive.

Chairman Gimenez, Ranking Member McIver, and Members of the subcommittee, thank you for your time, attention, and leadership when it comes to U.S. ports. I'm looking forward to your questions. Thank you very much.

[The prepared statement of Mr. Davis follows:]

PREPARED STATEMENT OF CARY DAVIS

TUESDAY, FEBRUARY 11, 2025

Chairman Gimenez, Ranking Member McIver, and distinguished Members of the subcommittee, thank you for the opportunity to testify today on critical issues for United States ports and our national security.

Before I start, I would like to thank the committee for their bipartisan efforts to counter the flood of fentanyl, a substance that took the life of a dear friend of mine, Sam Spitz.

As the president & CEO of the American Association of Port Authorities (AAPA), the unified voice of the U.S. port industry for the last 113 years, I am honored to testify here. This is a special moment, since my former boss, former Congressman Dan Donovan, a man who I deeply admire, chaired another Homeland Security subcommittee.

According to a recently-released economic contributions report from former CBO economists, our ports are responsible for $2.89 trillion in economic activity and 21.8 million American jobs, or more than 1 out of every 8 jobs in our Nation's workforce.

Further, America's ports make trade possible, and they depend upon the support of the Federal Government and Congressional committees like this one. I would like to emphasize today that China is investing in global port infrastructure because it recognizes the profound economic and geopolitical advantages that critical trade gateways provide.

The port industry believes that the best counter to growing Chinese influence, especially at ports in our hemisphere, is strong leadership by the United States through strategic port infrastructure investment. Investing in port infrastructure enhances economic growth and national security. The U.S. Committee on the Marine Transportation System (CMTS) found that maritime infrastructure investment holds the potential to produce returns of $2 to $3 for every $1 spent. If we want to counter Chinese influence at ports and secure a safe and prosperous economic future, we must provide a strong, attractive alternative through robust American investment.

We must strive to keep our port infrastructure modern and globally competitive. The funding enacted through the Bipartisan Infrastructure Law was historic, designating $450 million annually from fiscal year 2022–2026 for the Port Infrastructure Development Program (PIDP). This is significantly higher than previous annual funding levels for the grant program. However, total Federal spending on water transportation remains around $4.5 billion, while State and local governments contribute around $6 billion annually to support the sector.

In recent years, AAPA ports also identified $32.03 billion for landside infrastructure needs, which has continued to rise. Another example of this disparity in funding is the list of applicants and grantees for PIDP, a discretionary grant program administered by U.S. Department of Transportation Maritime Administration that awards grants on a competitive basis to projects that improve safety, efficiency, and reliability of the movement of goods surrounding ports. This list shows that from 2019–2024, our ports requested over $12 billion in funding from the program, with only about $500 million allocated per year, meaning for every dollar awarded, ports requested $4.50. That's an oversubscription rate of more than 4 to 1. Unfortunately, even at the height of Federal port funding, the United States lags in comparison to China which (based on publicly available information) spends well over double the United States in port investment. AAPA is currently researching this disparity and expects to share more in the coming months.

We also need to increase direct investments such as the Port Security Grant Program (PSGP). The PSGP is authorized by this committee; however, it has unfortunately not been fully appropriated to its authorized level of $400 million in well over a decade. This program is how we turn security concerns into actionable invest-

ments in resiliency. Yet, ports typically receive less than half of the Program, with the balance going to municipal police departments.

Another potential avenue for investment in American ports is through policies to manufacture and procure cargo handling equipment (CHE). Currently, China has an outsized market share of the world's port CHE because their government heavily subsidizes the industry, allowing them to sell equipment at a much lower rate than competitors. If Congress wishes to reverse this trend, we recommend implementing policies such as a qualified tax credit for U.S.-made CHE, which AAPA supports in collaboration with manufacturers. We recently brought American ports, terminal operators, equipment manufacturers, Government officials, and other key stakeholders to the table to discuss how to make American-made CHE a reality. Our organization will continue leading this timely discussion when we host another meeting this spring and encourage Members of this committee to join.

While it would take years to stand up a domestic manufacturing base for the largest port equipment, in the near term, Congress can incentivize friend-shoring with trusted allies to ensure that U.S. ports have access to secure, reliable, and modern equipment, while reducing reliance on single-source manufacturing. To incentivize procurement from our allies, we can easily streamline the waiver process for Build America, Buy American (BABA) provisions, ensuring that port infrastructure projects can proceed efficiently. Last year, Members of this subcommittee published a report in conjunction with the Joint China-Select committee which recommended these BABA waivers and incentives for domestic manufacturing.

Another major hindrance to the growth, resilience, and modernization of ports are tariffs. Tariffs are a tax on American consumers that increase costs for businesses and individuals alike. They also reduce the efficiencies and wealth gained from trade and lower overall economic growth. America is a superpower because of free trade.

For ports specifically, tariffs lower cargo volume and throughput, which directly impacts a port's ability to raise capital for modernization, expansion, and employment, while also hampering their competitiveness in the global marketplace. Additionally, a reduction in port activity threatens thousands of American jobs tied to maritime commerce, further straining local and regional economies. A forward-thinking trade policy that minimizes unnecessary tariffs will ensure the continued vitality of U.S. ports and support economic prosperity across multiple industries.

While AAPA only advocates on behalf of U.S. port authorities, we believe that expanding our Nation's investment in ports of allied countries is also critical to revitalize America's strategic maritime posture. Through programs such as the Sister Port Initiative at the Department of State, we can strengthen economic ties with Latin America and other regions, ensuring that American businesses benefit from efficient and cooperative trade. AAPA has collaborated with the State Department to set up 2 sister port partnerships in the past year to help foreign ports learn best practices from their American counterparts, and we look forward to continuing to participate in this program. We also continue to work closely with Latin American port authorities to promote shared economic growth and security, reinforcing U.S. influence in the hemisphere.

Chinese investment in U.S. ports is already closely controlled through robust regulatory frameworks, ensuring that any foreign investment in critical infrastructure does not pose national security threats. The Committee on Foreign Investment in the United States (CFIUS) is the primary mechanism for reviewing and mitigating any risks associated with foreign ownership or investment. CFIUS closely examines each individual investment to evaluate if it aligns with U.S. national security interests, which is a more precise approach than any blanket bans. Our current laws provide stringent oversight and protective measures to prevent exploitation or undue foreign influence.

Finally, the Coast Guard—one of many agencies overseeing and regulating ports—recently released several relevant regulations enhancing cybersecurity at ports. These include physical access safeguards on CHE sourced from China (MARSEC 105.5), restrictions on the operating systems they can run (Logink, which no U.S. ports use), and updated cybersecurity requirements (Cybersecurity in the Marine Transportation System). Additionally, ports are subjected to duplicative cyber incident reporting requirements, reporting to both the Coast Guard and CISA (CIRCIA).

While maintaining the highest standard of security, it is important to recognize that discussions about Chinese investment in U.S. port terminals are properly contextualized. We are talking about minority stakes in a handful of individually leased terminals, not entire ports. A single port often consists of multiple terminals, each with separate operations and oversight.

Chairman Gimenez, Ranking Member McIver, and Members of the subcommittee, thank you for your time and attention on our Nation's ports and maritime industry. America's ports are vital to our national security, economic stability, and global trade. By making wise investments and leveraging our existing regulatory safeguards, we can, together, continue to ensure that our Nation's ports remain competitive, keep America safe and secure, and realize a more prosperous and growing future for our Nation and her people.

I look forward to your questions and working with this committee to advance policies that support America's ports. Thank you.

Chairman GIMENEZ. Thank you, Mr. Davis, and I am sorry for your loss. By the way, for those who don't know, if you died of overdose of fentanyl, 97 percent of the precursor chemicals that create fentanyl are manufactured in China. Even worse than that, those precursor chemicals are actually illegal to sell in China and yet the Chinese Communist Party actually incentivizes companies to produce them for export.

They have no other use, by the way. It is just for fentanyl, so it was something done by the Chinese Communist Party on purpose to kill, basically, American lives.

That is why you know when they asked why I am so, you know, so hawkish on China and, you know, think they are greatest threat, this is an example of why I think that they are our greatest threat. They did it on purpose and for no other reason for I guess to harm us and also to make money.

I now recognize myself for 5 minutes for opening statements or for opening questions.

Mr. Kroenig, you mentioned the presence of China and the Chinese-controlled ports on both sides of the Panama Canal. How does that pose a threat to the United States?

Mr. KROENIG. Well, I think it poses a number of challenges. One to the topic we just discussed, China is shipping fentanyl precursors through the Panama Canal. Second, by operating the ports there, including with surveillance technology, Chinese surveillance technology, they're using that to collect information that's going back to Beijing.

It may not be Classified information but it's sensitive that China could use to exploit for an intelligence advantage. China could seek to hinder trade through the canal, which would have negative economic consequences for America's well-being.

Then——

Chairman GIMENEZ. How could they do that? How could they hinder trade? How can they stop it? I mean, the port operators on both sides do they determine who goes first, who goes second, et cetera, or how does that work in the Panama Canal?

Mr. KROENIG. Yes. Well, in terms of the specific operations some of my colleagues may be better able to speak to that, but halting, disrupting trade in a place like that would not be very difficult. I think we've seen in other cases where ships get stuck in, say, the Suez Canal, global trade really takes a hit.

So I think there are a number of things they could do to hinder trade, such as putting a ship in the canal and not letting other ships go through. So there's the economic dimension.

Then there's the military dimension in the event of a crisis or war hindering U.S. naval vessels that could make it more difficult

for the United States to project military power where it needs to go.

Chairman GIMENEZ. Fair enough.

Dr. Berg, in terms of the presence of China, the ever-increasing presence of China in infrastructure, especially in ports, my first question is where were we? Because when I visited Peru, and I know they have a huge port they just constructed in Peru, and they are actually putting out an RFP for a second port down in south Peru and they want us to participate. They really want us to participate.

Where has the United States been for the last, I guess, 2 to 3 decades down in South America?

Mr. BERG. Chairman, I agree wholeheartedly with your concern. I think we were looking in other theaters of the world and we had forgotten, frankly, that security, prosperity, economic integration, the ability to deter illegal immigration, and so on, it starts right here at home and in our own hemisphere.

So, I welcome this administration's focus on the Western Hemisphere, which seems to me a very intense focus on the Western Hemisphere. I think it's proper and it's about time that we spend more time looking into not just our security but also our commercial diplomacy in this hemisphere.

The problem, Mr. Chairman, is that we're playing from behind now because we focused on other theaters in the world for 40 or so years, at least. Especially with ports, Mr. Chairman, it's far easier to play offense than it is to play defense to get the U.S. private sector interested, for example, in the port you've just discussed in Peru than it is to try to get the Peruvians to wiggle out of this new mega port, for example at Chancay.

Chairman GIMENEZ. Yes. Look, one of the things that I found when I was down in South America is that we were more interested in ideological diplomacy than in commercial diplomacy, OK, focus on stuff that really did not advance American interests at all.

So, Dr. Kardon, when we talk about military use of these facilities and you haven't seen much, maybe my premise is that they are going to build all the infrastructure and then they are going to appear because if they don't—if they start to appear now then then it, kind-of, you know, kind-of, shakes us and wakes us up.

But they are building that infrastructure, right, the ability to somehow then project power into our own hemisphere. They have the largest Navy in the world right now. They are building more and more ships, completely outpacing the United States in terms of other ship production. Their large Blue Navy ship production completely outpaces us here in the United States and so is there a threat to that?

They are building the facilities. Will one day all of a sudden we will see a bunch of, you know, People's Liberation Army Navy in our own hemisphere, in our own backyard?

Mr. KARDON. Chairman Gimenez, you're absolutely correct that pretty much any commercial port is intrinsically dual-use, particularly the modern facilities that Chinese firms are constructing, owning, and operating in the hemisphere.

But as you also note, there has been relatively minimal PLA operational activity in this hemisphere. While I agree that it's pos-

sible for them to do it on relatively short notice, sailing across the Pacific, I think from a strategic standpoint it's unlikely that Beijing chooses to make this hemisphere the area where they're trying to match up militarily against the United States, in at least the near term.

The main reason for that is their overwhelming strategic focus remains in the western Pacific for its Taiwan contingencies, but also the South China Sea and East China Sea. So, while I think it's a reasonable concern and one that ought to be monitored, I think it's somewhat unlikely that they attempt to project large amounts of power into this hemisphere.

Chairman GIMENEZ. I agree with you on short-term. My time is up and I will just make one final statement is that the Chinese have a very long-range point of view and that they look at things 100 years ahead, not like us. We look at things 2 years ahead.

So with that, I will yield, and I recognize the Ranking Member from, you are from?

Mrs. MCIVER. New Jersey.

Chairman GIMENEZ. From New Jersey, OK.

Mrs. MCIVER. The Garden State. The Garden State.

Chairman GIMENEZ. The gentlewoman from New Jersey, Mrs. McIver.

Mrs. MCIVER. Thank you, Mr. Chairman. On Sunday, Vice President Vance tweeted that judges aren't allowed to control the Executive's legitimate power. Then yesterday, a Federal judge said the White House had disobeyed the plain text of his direction to release billions of dollars in Federal grants which Congress appropriated but the administration has tried to freeze.

Now, I am not sure what they teach at Yale Law School, but I am an educator myself, and in New Jersey's Tenth we teach students in elementary school that the Legislative branch writes the law, the Judiciary branch interprets the law, and the Executive branch enforces the law. This isn't hard.

If this administration refuses to comply with the court orders, we will be in a scary situation in this country, not just because we will face a Constitutional crisis, but also because Federal grants are critical to our safety and security, including at our Nation's ports.

DHS administers the Port Security Grant Program, which was funded at $90 million in 2024, for critical security projects. The Port of Newark has relied on that funding, as well as funding from the bipartisan infrastructure law.

Mr. Davis, how important are Federal grants to U.S. port security and infrastructure? Would any freeze on these grants, like those attempted by this administration, have any impacts?

Mr. DAVIS. Thanks for the question, Congresswoman. The Federal funding for port infrastructure is critical, and I give all legislators across the spectrum a huge bravo for the attention that they put on intermodal infrastructure funding and supply chain resilience through all the various programs at U.S. DOT, Department of Homeland Security, et cetera, et cetera. The funding increase has been amazing for recapitalizing a lot of aging infrastructure at our ports.

Specific to your question, we're monitoring very closely what's happening with the administration with the caveat that the Presi-

dent has the prerogative to impose his policy preferences as he sees fit and within law.

We're, of course, watching very closely to make sure that any monies that were appropriated, or even more importantly, obligated, monies that have been obligated already they have to flow. There's a contractual right in the recipients of these grants that they get their funding. So, this is something we're watching very closely.

Mrs. MCIVER. Thank you. In your opening statement you talked about how, you know, this Port Security Grant Program was originally authorized for $400 million in funding but since has been underfunded. Can you talk a little bit more or elaborate on what kinds of projects and security upgrades will ports be able to make with more funding?

Mr. DAVIS. Thanks for the question, Congresswoman. The types of projects run a gamut. You can imagine everything from physical fencing, bollards, camera systems that protect the gate as we usually call it around the port, to much more cutting-edge machine learning, AI, defensive measures to predict, preempt, and respond to cyber threats.

It's well-known that many of our largest gateway ports receive tens of millions of attempted cyber intrusions per day, per month, I'm not sure exactly, but tens of millions per month at least.

So, the types of projects that this critical grant program funds across the gamut all really important, all really good for responding to the changing nature of a lot of threats that the ports are seeing.

Mrs. MCIVER. Thank you, Mr. Davis, and I too want to offer my condolences for the loss of your friend. Thank you for sharing that story with us and those who are watching and those here.

With that, Mr. Chairman, I yield back.

Chairman GIMENEZ. Thank you to the Ranking Member.

I recognize the gentleman from New York, Mr. Garbarino.

Mr. GARBARINO. Thank you, Chairman. You are from the Sixth Borough, right, in Florida, New York?

Chairman GIMENEZ. Yes I actually am.

Mr. GARBARINO. OK. Thank you, Chairman.

Mr. Davis, modern port operations rely heavily on digital logistics, AI-driven cargo tracking, and automated systems, making them highly dependent on cyber networks and interconnected technologies. If the People's Republic of China controlled ports in Latin America or even PRC-affiliated terminals within U.S. ports were compromised, that could provide the Chinese Communist Party with the capability to conduct espionage, manipulate global supply chains, or even sabotage critical logistics operations in a crisis scenario.

In your assessment, how susceptible are Western Hemisphere ports to cyber intrusions or sabotage by PRC-affiliated entities?

Mr. DAVIS. Thanks for the question, Congressman. It's a good one, especially it, kind-of, segues nicely to the changing nature of threats to ports, especially as internet of things, IOT, more connected equipment at the ports, right?

I don't want to opine too much on what's happening at Latin American facilities because I think my fellow panelists probably

have a little bit better view, but in the United States we, of course, take this super seriously.

Whether it's daily interface with Federal agencies, CISA, U.S. Coast Guard, which is the lead agency for cybersecurity at seaports, CISA. U.S. Coast Guard.

I personally sit on a DHS Maritime Sector Coordinating Council where we share threat information across the maritime supply chain, not even just the ports but talking barge, carriers, marine terminals. So, we have 4, including the ISAC, Information Security Analysis Center, where we share information about threats across all the players in the chain.

Ultimately, I point to the LOGINK example. This was a Chinese-developed software. I'm not sure of its status in use at ports around the world, but this is a great success story of U.S. Government in partnership with industry identifying something that carried too much risk that we didn't want to upload or use in our IT and OT at ports.

So we stiff-armed it said we're not going to use this at U.S. ports. So, I see that as a great success story in terms of the collaboration with industry and Government.

Mr. GARBARINO. So, you think Government is doing a good enough job right now to reduce this U.S. maritime sector reliance on PRC manufacturing port equipment? Or do you think there is more that we can do and does Congress need to act?

Mr. DAVIS. I think our on-going partnership is strong and satisfactory, but if we do want to take a further steps to regain further control over our supply chains and where our equipment is manufactured, we do support a reshoring program for large-scale cargo handling equipment, such as cranes and other cargo handling equipment in ports.

Mr. GARBARINO. You talk about the ISAC and information sharing. Is it pretty free-flowing between private-sector partners as well as Government? Are you getting good information, timely information shared by U.S. Coast Guard and CISA or could that be better?

Mr. DAVIS. It's pretty good. I'd love to work with you and your staff to improve it. I've seen how ISAC's work in other critical infrastructure sectors like banking, health care, et cetera, and we probably have a bit to go to get to that robustness.

It's certainly not Government's issue either. We could share information better just simply among industry, and that's what the trade association is for as well so I'd love to work to strengthen it.

Mr. GARBARINO. All right. Thank you, Mr. Davis.

Dr. Kroenig, despite the well-documented security risks associated with the PRC's manufacturing and surveillance systems, including cameras from Hikvision and network security systems from Huawei, they remain prevalent in Latin American ports and logistic hubs. These facilities are critical to U.S. trade and often handle shipments bound for American ports.

The presence of PRC-controlled surveillance systems raises concerns over whether China's Communist Party could use this infrastructure to track U.S.-bound cargo, collect intelligence on U.S. business operations, or gain insight into regional military activities.

Do you believe the continued expansion of PRC-affiliated surveillance technology in Latin American ports presents a security risk?

Mr. KROENIG. Yes it does present a security risk for all the reasons that you mentioned, and I'd say even more broadly if China comes to control the digital infrastructure of the 21st Century in Latin America in the global south, what does that mean for the future of democracy and human rights in those regions? What does it mean for their global alliances?

So, I think this is a threat to the United States and that we should encourage regional allies to derisk from China and to end cooperation with China and with Huawei and then also to work to provide them alternatives.

Mr. GARBARINO. How do we encourage them to derisk? What can Congress do?

Mr. KROENIG. Well, I think one is making the case and making clear that we're not asking them to choose between the United States and China. There are areas where they can continue to have productive relations with China, but there are areas like this where it's in their national security interest and in our national security interest that they end the program.

Then the second thing that Congress can do is work to find alternatives and help the administration to develop a coordinated plan with allies. If the United States is doing it on its own that's one thing. If we can do it in partnership with the Europeans, the Japanese, and others, that's much more powerful. Provide incentives for the private sector through DFC and some of the other mechanisms that have been mentioned. So again, encourage them to derisk and then provide alternatives.

Mr. GARBARINO. Thank you. I yield back.

Chairman GIMENEZ. I thank the gentleman from New York. Yes I do represent the Sixth Borough and your future home, Miami.

I now recognize and welcome the gentleman from Texas, Mr. Turner.

Mr. TURNER. Thank you, Chairman Gimenez and Ranking Member McIver. I represent a large portion of Port of Houston and the ship channel generating millions of jobs, nearly a trillion dollars in economic activity.

One of the issues that we have been facing are these ship-to-shore cranes used in many U.S. ports. The Biden administration announced a $20 billion deal to develop domestic manufacturing of these cranes. I fully support that and it is important that that money continues to flow.

But let me ask Mr. Davis, how long do you foresee before we have enough of these cranes made in the United States to meet the demands of our seaports in a reliable way?

Mr. DAVIS. Thanks for the question, Congressman. It's a great one and really speaks to the thinking several steps ahead, right? I don't have a great sense. The manufacturers of these equipment would have a better sense of how long they could stand up production lines, but my best, most aggressive estimate is about 2 years hence. That's not from right now. That's from when, you know, the funding is in place, the purchase orders are put down, so give or take we're talking a 2-year time line.

That, of course, even if we were able to create a domestic manufacturing program would take years and years and years to replace all of these key equipment at the ports. So, they could start rolling off the line within a couple of years but to replace the hundreds of cranes that are across the country would take many years, which is why we stand by the fact that in the near term using the equipment that we're using now is the right way to go while also pursuing reshoring.

Mr. TURNER. Because most of these type of cranes that are needed at the Houston ship channel, as we widen and deepen the port, are made in China. Would you all agree that we need to make significant investments here to reduce our national security risk? Either one of you?

Mr. DAVIS. Agree completely, Congressman. We support the ability of any of the ports to get the best equipment that's on the market right now, including Port Houston's on-going crane purchases and installation.

Mr. TURNER. Let me follow up on the Port Security Grant Program, which we receive, is there anyone who disagrees with the importance of that security grant program? Anyone who disagrees with that? OK.

I want to shift to something else because all of you have indicated the need for the United States to make significant investments in this area. Under USAID, about $44 billion in investments are made. Of that amount, about $1.8 billion is made to the Western Hemisphere in terms of investment.

I would think that by cutting off those investments at USAID, which helps to counter the PRC's Belt and Road Initiative in Latin America, that we are enhancing our national security risk and we are opening the door for the PRC to step in when we are stepping out, and especially when we are stepping out without any real notice being given to Latin America, Panama, you name it across the board, in fact, across the world.

Do you all see the significance? Anyone? My question is, is it significant under the USAID program that $1.8 billion has been given to the Western Hemisphere? Anyone would question that?

In fact, Mr.—excuse me, actually no one is challenging that.

Dr. Berg, you indicated that we should "up our game." Can you elaborate a little bit more on that? What do you mean, more investments being made in the United States, more investments being made in the Western Hemisphere?

Mr. BERG. Thanks for the question, Congressman. I think it's a question occasionally of investments, but it's also a question, to the Chairman's point, of commercial diplomacy. I think we need to flip the mindset of some of our diplomats in the region.

I mentioned a couple ideas where I think we could recruit more people who have private-sector backgrounds, bring them into embassies in a fast track way, and also to make it part of an ambassador's performance evaluation.

With respect to USAID, sir, I think there are ways in which we can make USAID, and I certainly hope that in the next iteration of USAID it is more strategic. So for example, this hearing has focused quite a bit on Panama. We closed our USAID office under the Obama administration——

Mr. TURNER. Yes, but let me just, let me just—and I hate to cut you off. I hate to cut you off, Dr. Berg, but when we are making those investments to the Western Hemisphere if we cut them I think we're sending the wrong signal to the PRC. They then step in even more.

Thank you, Mr. Chairman.

Chairman GIMENEZ. I thank the gentlemen from Texas.

I now recognize the gentleman from Arizona, Mr. Crane.

Mr. CRANE. Thank you, Mr. Chairman, for holding this hearing today. I want to take a minute to talk really quickly about something that Ms. McIver brought up. She was talking about the influence that China had on Elon Musk.

You know, it is interesting. I didn't hear Ms. McIver or any of her Democrat colleagues raising these same concerns when we uncovered that the Biden family received $28 million, $27 million from foreign countries and they tried the exact same thing with President Trump in the last Congress.

The reason I think it is important to point this out is the interesting thing between, you know, Elon Musk and President Biden is Elon Musk actually owns multinational businesses, SpaceX, Tesla, Neuralink, just to name a few. So, I think it is important that we make that distinction.

I do think this hearing is important today. You know, when I look at what Sir Walter Raleigh famously said, he said, "For whoever commands the sea commands the trade. Whoever commands the trade of the world commands the riches of the world and consequently the world itself." So, I am concerned about what I see China doing in the Western Hemisphere.

I want to start with Mr. Davis real quick. You spoke of the need for domestic manufacturing or acquiring infrastructure used in our ports to avoid a reliance on the CCP's equipment which is used for espionage. Can you go into what countries you are speaking of, some of our allies that can, you know, provide some of this equipment for us, sir?

Mr. DAVIS. Thanks for the question, Congressman. China is currently not the only place where these ship-to-shore cranes are sourced or manufactured, although they have a dominant position in the market. Some of the other companies are either, who make these equipment, are either headquartered or have manufacturing facilities in Germany, Austria, Ireland, and I believe some of the componentry might come from Mexico. So, that's the state of play in this market.

Just for the record, Congressman, the industry does not see a current situation or risk where there's any compromise of the equipment. But if the United States does want to shift toward a situation where it is making or friend-shoring these equipment, certainly here at home there are lots of manufacturers here in the United States that are penciling out what this would look like, especially if they had financial support from the U.S. Government. It could also be from any of the other countries that I mentioned.

Mr. CRANE. Thank you. In regards to fiscal conservativism, I am sure many of you guys know that we are approaching $37 trillion in debt. We are spending about $2 trillion annually that we don't have, adding to that every single year.

I am looking, and the information that I was able to pull is that, let's just take the Port of Los Angeles, for example. In 2024, the Port of Los Angeles generated $684.7 million in operating revenues. The Port of Seattle, in 2024 the Port of Seattle generated $1.2 billion in operating revenues.

Now, I realize that these are private. These are privately-owned companies, correct? Why aren't these private companies investing a lot of their resources so that the Federal Government and the taxpayer doesn't come out and have to subsidize them?

Dr. Kroenig, I am going to give that one to you.

Mr. KROENIG. Oh, I'd say a few things. I completely agree that the debt and the deficit are major issues and so coming back to our colleague, Elon Musk, I think his efforts to look for waste, fraud, and abuse and to find savings makes sense.

Even when it comes to USAID, USAID was set up for strategic competition during the Cold War to advance American interests. Then I think it loses its way over time and so I think trying to restructure U.S. foreign aid to prioritize concrete U.S. interest and strategic competition makes a lot of sense.

In terms of the decisions made by the companies operating the ports on the Western Hemisphere, I'm probably not the best to speak to that. Maybe I'd defer to Mr. Davis or to others.

Mr. CRANE. I will let either of you guys take that if you want.

Mr. DAVIS. If I may, Congressman?

Mr. CRANE. Yes, sir.

Mr. DAVIS. That all of the port authorities in the United States are public entities. They're chartered by cities, counties, States, and many of those revenues go actually to public coffers. They go into the Treasury to pay for all their services for the local, urban area, or county or whatever it may be.

So, I'd love to work with you and your staff on some of the specifics of those ports, but they're public entities that are often paying back profits into public Treasury.

Mr. CRANE. What percentage, Mr. Davis, are most of them paying back?

Mr. DAVIS. Let me get you that number, Congressman.

Mr. CRANE. Thank you. I yield back.

Chairman GIMENEZ. Thank you, gentleman from Arizona.

I now recognize the gentlewoman from South Carolina, Mrs. Biggs.

Mrs. BIGGS. Thank you, Mr. Chairman.

I want to sincerely thank our witnesses for their valuable contributions to this important hearing today.

So, the United States Coast Guard is essential to securing maritime trade and enforcing laws that protect our national security. They safeguard our borders, they ensure the security of global trade, and they combat illicit activities at sea.

The People's Republic of China's growing control over strategic maritime choke points, its engagement in illegal fishing, and the suspected use of commercial shipping for surveillance and illicit trafficking, all directly threaten U.S. homeland security.

Because the Coast Guard patrols these critical waterways, we must evaluate whether they have the resources and the authority needed to effectively address these threats.

So for Dr. Kardon, how does the PRC's expanding influence over global shipping routes and strategic ports, including in Latin America and the Caribbean, impact U.S. homeland security and the Coast Guard's ability to police illicit trade and trafficking?

Mr. KARDON. Thank you, Congresswoman Biggs. I believe that the extraordinary market share of Chinese firms and global shipping and actually across all the verticals, you know, that include shipbuilding prominently or investments, of course, shipping itself, containers, leasing, et cetera, gives China a strategic advantage in the modern economic system.

We heard the Sir Walter Raleigh quote. I think that resonates with leaders in Beijing. I for one have studied a lot of Chinese strategists' writings about the famous American naval strategist Alfred Thayer Mahan. Also, a leading influence in understanding sea power is something much broader than just naval capability.

The naval capability is actually subordinate to the access to markets and the freedom of maneuver around the world's oceans. The PRC has systematically invested in those capabilities. When we think about Chinese maritime power, I would urge us to think, of course, of their growing Blue Water Navy, but not exclusively.

In fact, if we look at where they're really, really differentiated it's areas like shipbuilding and in overall trade volumes and in its position in global supply chains and value chains.

So, I do think that this poses a broad strategic threat to the United States. As I note in my testimony, I think the acute military threats from it are somewhat overstated, but that's not to say that it's not a major strategic risk. I think what I'm urging from the standpoint of legislation and policy is to really focus on rejuvenating American maritime power.

Over the past 25 years, China has systematically invested in its maritime power and one could make the argument that the United States has systematically divested or, sort-of, accidentally divested from it. So I think that's really the center of gravity in our strategic competition and warrants close attention.

Mrs. BIGGS. Thank you so much.

My second question this is for Dr. Kroenig. So, given reports of PRC-affiliated vessels engaging in espionage, the illegal fishing, and smuggling, is the U.S. Coast Guard adequately resourced and authorized to confront these threats? Adding on to that, what additional capabilities or legislative measures might be necessary that we can help with?

Mr. KROENIG. I think the U.S. Coast Guard and the U.S. military more broadly is not adequately resourced to deal with the China challenge.

If we look during the Cold War, the United States spent an average of 7 percent of GDP on defense. Now, we're spending something like 3½ percent of GDP on defense, so historic lows.

So I think Senator Wicker and some others who have called for 5 percent defense spending makes a lot of sense and so that should be investments in the Coast Guard and also investments in our naval power more broadly.

The United States has really fallen behind here and it has been U.S. dominance on the high seas that has enabled really the U.S.-

led order since 1945. So, I think this is a major problem and major investments are needed.

Mrs. BIGGS. Thank you so much for your comments, and I yield back.

Chairman GIMENEZ. Thank you to the gentlewoman from South Carolina.

I now recognize the gentleman from Puerto Rico, Mr. Hernández.

Mr. HERNÁNDEZ. Thank you, Chairman.

I support efforts to counter Chinese influence in Latin America and the Caribbean. To do that we need to strengthen our own ports in Latin America and the Caribbean, both for economic development and for public safety reasons.

Ports like the one we have in San Juan are important for the island's economic development and emergency response preparedness. Federal investments in infrastructure are critical for strengthening U.S. port infrastructure that itself is essential for maintaining our global competitiveness, particularly with China.

However, infrastructure projects take time and many funded by the bipartisan infrastructure law and other legislation are still on their way. These projects are now threatened by the Federal funding freeze putting our island's economic growth and emergency response preparedness at risk. In the long run this could benefit our global competitors like China.

Mr. Davis, in your written testimony you note that U.S. ports are already subject to Federal oversight mechanisms designed to ensure that foreign investments in critical infrastructure do not threaten national security. How would a Federal directive that freezes funding and hinders these agencies from carrying out their responsibilities compromise our national security and reduce our competitiveness on the global stage?

Mr. DAVIS. Well, thanks a lot for the question, Congressman. I think you hit the nail on the head by saying infrastructure projects take time. From the time that the potential grant is noticed by the Government to the time it's awarded, to the time it's permitted, to the time a shovel hits the ground, you can see how it adds up a lot, which is why the industry, and I know many industries are very hopeful for a bipartisan move forward on permitting reform for infrastructure projects at ports and other critical infrastructure and energy utilities and the like.

So, that's something we're looking forward to this Congress. But to answer your question directly, the President has his prerogative for his policy priorities that he wants for his administration, no doubt about that, but we come back to if monies have been obligated it's very clear that the law says they must flow to the recipients of those grant awards.

So, at the point that the grant is awarded to a recipient the money has to flow eventually, and that's something we're monitoring closely.

Mr. HERNÁNDEZ. Great. I want to switch gears quickly to emergency preparedness. So, on Saturday evening a 7.6 magnitude earthquake hit the Caribbean and there was a tsunami advisory for Puerto Rico and the U.S. Virgin Islands. I think this tsunami advisory underscores how vulnerable regions like Puerto Rico and

the USVI and the Caribbean, how we depend on strong modern ports for emergency response and recovery should a disaster strike.

What could be the specific economic and public safety impact of the Federal funding freeze on infrastructure projects, particularly in regions vulnerable to natural disasters?

Mr. DAVIS. Congressman, I'd answer the question by saying, unfortunately, natural disasters are becoming larger, more frequent, and costly and ports are literally on the front lines of many of these coastal areas that are susceptible to them. We estimate that the closure of a port has on the order of $5 million economic impact per day, so that really, you know, multiply that by 1 week and you start to see the overall toll of a disaster like that.

Mr. HERNÁNDEZ. So, would you say that in essence these Federal funding projects to strengthen our ports' infrastructure could be seen as a long-term investment rather than a loss that would represent, you know, having these weak ports that it would have to close in the case of a natural disaster?

Mr. DAVIS. I agree completely, Congressman. The return on investment is a 3-, 4-, 5X, and I would point folks to the Association of the Society of Civil Engineers for some of their work on this on these figures.

Mr. HERNÁNDEZ. This is a return on investment that will not only benefit places like Puerto Rico but would also benefit the United States and its broader ambitions to combat Chinese influence in the region.

Mr. DAVIS. No doubt about it. We'll be looking at a comparative study in coming months about how our trading competitors spend on their port infrastructure, and I think it'll open some eyes.

Mr. HERNÁNDEZ. So, would you agree that this should be approached in a bipartisan manner, not viewing this just through the lens of traditional liberal-conservative spending versus Government cuts angle. It should be seen as something that concerns our national security, our economic competitiveness, and it should transcend political partisanship.

Mr. DAVIS. Congressman, forgive the corniness. The containers can be blue, the containers can be red, but shipping infrastructure is bipartisan.

Mr. HERNÁNDEZ. Thank you. I yield back the remainder of my time.

Chairman GIMENEZ. The gentleman from Puerto Rico yields back his time.

We are expecting 1 other individual, 1 other Member to come. It was supposed to be at 11:20 so I will keep the hearing open until 11:20. Hopefully, he will show up. If not, then we will close. So, we are in recess for a couple minutes.

[Recess.]

Chairman GIMENEZ. The subcommittee will come back to order.

I now recognize gentleman from Iowa, Mr. Nunn.

Mr. NUNN. I want to begin by thanking Chairman Gimenez by starting off us on such an important topic today and allowing me to join your subcommittee. As we all know, the CCP's global ambitions are not limited by hemisphere or geopolitical boundaries.

They are masters of anti-access area denial across all domains, including that in space and are serving a threat across not just the Pacific but around our world.

Look, as a 20-year intelligence officer, including on an airborne operations, I have flown reconnaissance missions along the PRC's periphery and I have witnessed first-hand how Beijing operates. The PRC's investments are more than just about economics. There are tools for power projection, influence, and strategic positioning.

Right now in Argentina, the Chinese are developing a deep space station according to CISA. BYD's monopoly of critical batteries house goes—or the COSCO's deep water port in Peru and increased arms and weapon sales across China and throughout South and Central America. These are only a handful of the projects that they have undertaken, as has been highlighted today.

In Latin America specifically, Beijing has employed debt diplomacy, state-controlled enterprises, and political pressure to expand its foothold. I believe that if the United States gives our command and control of SOUTHCOM over to the PRC, my farmers in Iowa, manufacturers across the country, and folks just here in the United States will not only lack for the ability to operate there but will be boxed out completely around the world.

This region contains operations critical to international trade, shipping, agriculture, and strategic military positions.

So with that, I want to begin by thanking our new Secretary of State Marco Rubio for his recent visit to the region along with his commitment to halt the CCP's investment in the region and offer our friends in the Latin American community an opportunity to work with the United States for long-term security throughout the globe.

Today's hearing is a necessary step forward and thank you, Mr. Chair, for leading the charge on this.

So, I'll first speak to Dr. Ryan Berg. Dr. Berg, you are a director at CSIS and you have been making a massive investigation into China's foothold in Latin America. Many of the host nations view these investments as beneficial to themselves, either due to economic desperation or a lack of viable alternatives from the West.

How effectively are the Latin American governments assessing the long-term threat that China poses to their local economies?

Mr. BERG. Thanks for the question, Congressman, and it's wonderful to hear that you're consuming our products. We always love hearing Members reading CSIS.

Look, I think there's a fundamental problem with some of the democracies in the hemisphere. If you sign a deal to get shovels in the ground during your mandate, you might see shovels get in the ground during your mandate. You may even win reelection based on the feeling that the country is doing major infrastructure things with the PRC, but the price to be paid is later.

So we need to get better with our messaging game, whether it's debt trap diplomacy or whether it's opportunity costs associated with some of these deals, to have leaders understand that there are costs to be paid and they often come 2 or 3 mandates later.

That's the fundamental problem here, Congressman, and too often the best offer has been the Chinese offer because it's been the only offer. So, before you entered the hearing I spoke to a couple

of the Chairman's questions as well as my opening statement about how we need to increase and improve our commercial diplomacy. I'd be happy to talk to you off-line about that as well. Thanks.

Mr. NUNN. As you know, we have seen this tragically throughout history. The Soviets doing it in Cuba and Latin America. The Chinese are much more insidious in their ability, both through wolf warrior diplomacy with the long-term tethers that they hold over these countries who, candidly, are looking for alternative partners to not be trapped in this situation. Thank you, Dr. Berg.

Dr. Kroenig, you're the vice president and senior director at Scowcroft, also incredible work you guys have going on there. I want to talk about the PRC's growing control over port infrastructure.

Obviously, the President has made this a top priority in Panama, but the deep water port investment in this area has an outsized influence. President Trump and Secretary Rubio both emphasized the seriousness.

What specifically both diplomatically, economically, hopefully not militarily, but we did get the right to sail through, steps can the United States be taking to deter China's influence and reestablish America's presence in these regions?

Mr. KROENIG. Yes. Well, thank you, Congressman and thank you also for the nice words about our work at the Scowcroft Center. So, I think there are a number of things the United States can do, and I think President Trump has been right to see this as a major priority and to put pressure on the Panamanian government.

You know, many of the governments, including the government in Panama, I don't think want this Chinese influence. Now, these are agreements that were entered to under previous governments and so the U.S. pressure is in a way doing them a favor.

So, as you know, right now they're reviewing some of these investments, an audit of these contracts. They probably will find Chinese corruption because that's what China does.

I think that will provide a great opportunity for them to end that contract and then rebid and American or other Western companies can win those concessions and I think that would advance American security and Panamanian security.

Mr. NUNN. I think it is fantastic that not only have the administration been able to redirect it so that U.S. naval war vessels who help protect the Western Hemisphere now can sail through that without paying a massive fee, oftentimes which goes to subsidize the Chinese, we should also recognize the Chinese are doing more than just the hard infrastructure projects. They are deeply embedded into every software, hardware technology, the actual SCADA and control systems for these.

So, I want to talk to Mr. Davis here, you also, the president and CEO of the American Association of the Port Authorities. The Chinese Communist Party has embedded itself within our actual U.S. port systems here, the supply chain, the critical infrastructure, or the software.

This includes through port equipment like ship-to-shore cranes, which the United States exploited—which could be exploited for cyber espionage, logistical disruptions, or just good old-fashioned spying. How do we get around this?

We have seen things like Salt Typhoon in a series of MSS, the state security out of China, threatening the United States and very little happening to hold these bad actors accountable, whether in Latin America or right in Beijing.

Mr. DAVIS. Thanks for the question, Congressman. I think there are 3 answers to it. First, it's the port industries partnership with Government and all the agencies that lead on cybersecurity or otherwise security measures at the ports, including U.S. Coast Guard, CISA, and the like.

Similarly within industry, we share threat. Ports share ports terminals and other maritime players all share threats amongst each other so that they can identify malicious codes, spear phishing techniques, et cetera, so that everyone's, kind-of, on guard and seeing the same thing.

The third is a lot of the much more sophisticated and technical defensive measures that ports, operators, and manufacturers take, including replacing some of the electrical componentry and software of some of the equipment with those by known parties, some of, some of which are United States companies.

There are other sorts of measures like that which I'd love to tell you and your staff about.

Mr. NUNN. We look forward to that. I want to highlight that the scope——

Chairman GIMENEZ. The gentleman's times has now expired.

Mr. NUNN. That is right. I yield back to the Chair.

Chairman GIMENEZ. Well, thank you.

I want to thank the witnesses for their valuable testimony and the Members for their questions. The Members of the subcommittee may have some additional questions for the witnesses and we would ask the witnesses to respond to these in writing.

Pursuant to committee rule VII(E), the hearing record will be open for 10 days. Without objection, this subcommittee stands adjourned.

[Whereupon, at 11:34 a.m., the subcommittee was adjourned.]