

The IRS has attempted to change the historical tax treatment of certain aviation maintenance expenses by denying the industry's ability to deduct those that arise from ordinary and necessary maintenance and repair of aircraft. Instead, the IRS is requiring that these maintenance costs be treated as nondeductible capital improvements. Previously I joined with several of my colleagues and asked Secretary Robert Rubin to reverse the agency's position. Although I was assured the issue would be studied and I would receive a response, to date I have received no reply.

I strongly support a clarification of the tax treatment of these maintenance expenses so the aviation industry may continue to deduct these expenses. Doing so is important in order to prevent increasing the costs of aviation safety.

I strongly encourage my colleagues to join this effort by cosponsoring this legislation.

MFN

HON. BENJAMIN A. GILMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 10, 1997

Mr. GILMAN. Mr. Speaker, today, I received a copy of an excellent paper from Frank Gaffney with the William J. Casey Institute of the Center for Security Policy. The paper makes the excellent point that: "While MFN is a blunt instrument * * * it is also the only measure currently on the table that is remotely proportionate to the magnitude of the danger Beijing is creating, to a considerable degree with resources it is garnering from trade with the United States."

I ask that my colleagues read the paper and request that the full text be printed at this point in the RECORD:

NON-RENEWAL OF MFN FOR CHINA: A PROPORTIONATE RESPONSE TO BEIJING'S EMERGING, TRADE-SUBSIDIZED STRATEGIC THREAT

WASHINGTON, DC.—Congress is expected shortly to consider President Clinton's proposal to renew for an additional year China's Most Favored Nation (MFN) status. While there are many compelling reasons for opposing such a renewal, the William J. Casey Institute of the Center for Security Policy believes that there is one overarching factor that demands this step: Communist China is utilizing much of the huge trade surplus that it enjoys thanks to this privileged trading status to mount a strategic threat to the United States and its vital interests in Asia, the Middle East and beyond.

While MFN is a blunt instrument—affecting, if it is denied, millions of innocent Chinese workers, the economy of Hong Kong, U.S. jobs associated with exports to and imports from China, etc.—it is also the only measure currently on the table that is remotely proportionate to the magnitude of the danger Beijing is creating, to a considerable degree with resources it is garnering from trade with the United States.

CHINA'S OFFENSIVE STRATEGY

In the Summer 1994 edition of *Orbis*, Ross H. Munro reported that, in 1993, the West was afforded "an unprecedented—and at times disturbing—inside look at how important elements in China's armed forces view neighboring countries as well as the United States." This insight was obtained when a Western diplomat serendipitously obtained a copy of a book entitled "Can China's Armed

Forces Win the Next War?" that had been published by the People's Liberation Army (PLA) for internal consumption only.

According to Munro, this book provided "virtual confirmation of reports . . . that the Chinese leadership in general and the senior Chinese officer corps in particular view the United States as China's principal adversary now and for decades to come." This view has become even more entrenched during the intervening years. As Munro and co-author Richard Bernstein put it in their own, critically acclaimed book published earlier this year, "The Coming Conflict with China."

"China's harsh rhetoric and incidents like [a dangerous U.S.-Chinese naval encounter in October 1994] in the Yellow Sea are not so much temporary responses to a temporary situation but products of a fundamental change in the Chinese attitude toward the United States. The use of the words 'hegemonism,' 'subversion' and 'interference' with regard to the United States signals a change in China's strategic thinking. Before, Beijing saw American power as a strategic advantage for the PRC; now, it has decided that American power represents a threat, not just to China's security but to China's plans to grow stronger and to play a paramount role in the affairs of Asia.

"China, in short, has determined that the United States—despite the trade, the diplomatic contacts, the technology transfers, the numerous McDonald's and Kentucky Fried Chickens open in the People's Republic, despite even the limited amount of cooperation that still existed between the two countries—is its chief global rival."

The enormous impetus behind China's determined effort to acquire a modern military capable of decisively projecting power derives from this zero-sum view of the U.S.-PRC relationship.¹ The Chinese leadership believes, after all, that it must be able not only to dominate the nations of East Asia and the South China Sea. It sees China as having to exercise control over the Pacific out to what the Chinese call "the second island chain" (i.e., the Philippines, Japan and even the U.S. territory of Guam).² The larger purpose appears to be even more ambitious: to render the United States incapable of exercising influence in Asia that would compete with, let alone counter, Chinese hegemony in the region.

IMPLEMENTING THE STRATEGY

The Chinese are pursuing a multifaceted campaign to accomplish these strategic objectives. The following are among the means the PRC is pursuing toward such ominous ends:

Strategic Force Modernization: The Washington Times recently reported that China is expected to begin deploying by the year 2000 an advanced intercontinental-range ballistic missile, designated the Dong Feng-31 (DF-31). This missile will give Beijing the ability to deliver nuclear warheads with great accuracy throughout the Pacific and parts of the western United States.

The DF-31 reportedly is benefitting from SS-18, SS-25 and Topol-M ICBM technology China is obtaining from Russia and/or Ukraine. Its lethality—and that of other Chinese strategic forces—will be greatly enhanced by supercomputers the United States has provided to Beijing's military-industrial complex.³ And the DF-31 is expected to be fielded on a mobile transporter-erector-launcher derived from Russian technology supplied by Belarus. The survivability afforded by this MAZ launcher, together with advances in Chinese ballistic missile-launching submarines capable of firing the DF-31, suggests that Beijing is intent on acquiring a formidable strategic nuclear capability

that cannot be preemptively destroyed and that will be capable of holding American cities and other targets credibly at risk.

A foretaste of the use to which China may be willing to put such a capability can be seen in a report published on the front-page of the New York Times on 24 January 1996. It described how a senior Chinese official had signaled Beijing's willingness to engage in "nuclear blackmail" against the United States by suggesting that American interference in China's coercion of Taiwan could result in an attack on Los Angeles. In the absence of any deployed U.S. ability to intercept a Chinese ballistic missile launched at Los Angeles—or any other target in the United States—such threats may well have the desired effect.

Build-up of Other Aspects of China's Military: Beijing is also pouring billions of dollars into what might be called a "Great Leap Forward" for other elements of the People's Liberation Army, notably its power-projection capabilities (long-range aircraft, blue-water naval units, precision-guided munitions and unconventional weapons). Such capabilities pose, most immediately, a danger that China will be able to control transit of the South China Sea and access to its energy and other strategic resources.⁴

China's drive to modernize the non-nuclear elements of its military is also benefitting hugely from imported technology. Thanks to advanced machine tools, computer-aided design capabilities, composite materials, chip-manufacturing technology and the other foreign dual-use technology like—whether acquired legally or illegally—together with its purchase of full-up military hardware or components,⁵ Beijing is now obtaining new generations of highly competitive jet fighters, cruise missiles, attack submarines and armored vehicles. The threat posed by such weaponry will not arise from China alone; given past Chinese practices, such equipment will shortly be available for purchase by rogue states from Iran to North Korea.

Espionage: The illegal acquisition of U.S. technology—especially that of the dual-use variety—is a priority assignment for the hundreds of People's Liberation Army-owned or -affiliated front companies operating in the United States.⁶ Together with large numbers of intelligence operatives, 40,000 graduate and undergraduate students and Overseas Chinese entrepreneurs doing business in this country or with its companies,⁷ America faces a literally unprecedented risk of penetration and espionage and, consequently, an immense counter-intelligence challenge. In his new book about economic espionage, "War by Other Means," John Fialka declares that China's prime intelligence agency, the Ministry of State Security, has "flooded the United States with spies, sending in far more than the Russians even at the height of the KGB's phenomenal campaign."

Not least is the danger that China's penetration of the computer and telecommunications industries will translate into a sophisticated, if not unique, Chinese capability to wage information warfare (IW) against the United States. This capability is especially sinister since the vulnerability of America's computer infrastructure to IW attacks offers Beijing a means to inflict grave harm on the U.S. economic and national security in a way that may enable the attacker to avoid detection, responsibility and retaliation.

Arming U.S. Gangs and Drug Lords: China has been caught shipping AK-47s and other lethal firepower to criminal elements in this country with the potential to sow mayhem in American society. PLA-affiliated companies have offered to sell undercover U.S. law enforcement officers posing as drug lords not only automatic weapons—whose lethal effects were evident when the streets of Los

Angeles were turned into a war zone by bank robbers wielding AK-47s manufactured by the Chinese firm Norinco⁸—but rocket-propelled grenade launchers, light armored vehicles and shoulder-fired surface-to-air missiles.

China is also believed to be active in supplying narcotics from Southeast Asia to the U.S. market. Its merchant marine—the Chinese Ocean Shipping Company (COSCO)—has been implicated in smuggling drugs as well as guns and other contraband into the United States. President Clinton has nonetheless personally intervened no fewer than three times on COSCO's behalf in connection with the effort this arm of the PLA has been making to take over the U.S. Navy's vast Long Beach Naval Base. This is all the more extraordinary since, according to a senior Soviet military intelligence officer who defected to the United States, China is likely collaborating with Russia in utilizing COSCO assets and facilities for signals intelligence and other espionage activities, pursuant to the two nations' bilateral intelligence cooperation agreement of 1992.

Financial Penetration: Since 1988, China has issued some eighty bonds on the U.S. and Western securities markets. While the bulk of these have been yen-denominated bonds, the total amount of dollar-denominated Chinese bonds (primarily issued in the U.S. market) has now reached at least \$6.7 billion.

This preferred borrowing venue provides major Chinese state-owned enterprises and banks intimately connected with the PLA and Beijing's security services with access to large sums of undisciplined, unconditioned and inexpensive cash. This money can be easily diverted to finance activities inimical to U.S. security interests—not to mention American principles and values. Worse yet, in the process, Beijing is successfully recruiting numerous politically influential constituencies in this country that will have a financial vested interest in ensuring that China is not subject to future U.S. economic sanctions, containment strategies or other forms of isolation and/or penalties.

A sense of the implications of such financial operations can be gleaned from the case of one of the conglomerate's run by Wang Jun, the arms dealing Chinese "princeling" who was invited to attend a Democratic fund-raising coffee klatch at the Clinton White House last year. The Chinese International Trade and Investment Corporation (CITIC) has, thus far, floated \$800 million in dollar-denominated bonds—financial instruments that are now in the portfolios of U.S. pension funds, securities firms, insurance companies and other prominent players in the American investor community.

While the full dimensions of China's efforts to utilize the political access afforded by its financial and other business operations in the United States are, at this writing, far from clear—and currently the subject of intensive congressional and Justice Department investigations, one thing is certain: Beijing has had a keen interest in shaping U.S. policy in various ways, notably by: gaining access to supercomputer and other militarily relevant technology; preventing the exploitation of American deposits of "clean" coal; facilitating the sale of securities in the American market—to say nothing of discouraging close U.S. ties with Taiwan, etc. It adds insult to injury that Chinese efforts to suborn or otherwise influence this country's elected leaders must have been underwritten, at least in part, by the proceeds of undisciplined bond sales to American companies and citizens.

Proliferation: Beijing has, for years, been aggressively and irresponsibly facilitating the spread of weapons of mass destruction (WMD) and other deadly ordinance to rogue

states capable of using them against U.S. personnel, interests and/or allies. Worse yet, it seems safe to assume that open source data concerning China's proliferation activities are but the tip of the iceberg. If so, the picture that emerges is one of a nation systematically seeding the Middle East, Persian Gulf and South Asia with chemical, biological and nuclear weapons technology—together with ballistic and cruise missiles with which such arms can be delivered over increasingly long ranges.

This danger is only increased by the prospect that the Peoples Republic of China regards these transactions as more than simply a valuable means of generating hard currency, securing energy supplies and garnering influence around the world. If Beijing is also using proliferation as an integral part of a campaign to diminish U.S. presence and influence in the Western Pacific, the possibility that its clients might use Chinese-supplied arms to precipitate conflict in regions far removed from Asia could seem as desirable by the Chinese leadership. After all, it would almost certainly preoccupy the United States—substantially tying down and drawing down its military, political and strategic resources.

A PRESCRIPTION FOR U.S. POLICY TOWARD CHINA

The United States can no longer indulge in the delusion served up by some of Beijing's paid advocates—namely, that it is up to America whether China will become an enemy. In fact, their writings for internal consumption, their policies and programs make it clear that the Chinese leadership decided to view the U.S. in that way years ago.

The available evidence suggests that it is foolish to discount the implications of China's strategy for U.S. security out of some confidence that Western capitalism's "engagement" with Beijing will ensure that the PRC is transformed, over time, into a benign international power. Americans' ironic embrace of this variation on the Marxist concept of economic determinism not only disregards the practical effects of such "engagement" to date; it also overlooks the dangers that are likely to arise in the interim.

Accordingly, while the United States would prefer to avoid confronting China, it has no responsible choice under present and foreseeable circumstances but to stop engaging in activities that are having the effect of making it yet more difficult and more dangerous to challenge the PRC. The William J. Casey Institute of the Center for Security Policy believes that the place to start is by non-renewal of MFN for China.

This action should be complemented, however, by a number of other, critically important initiatives. These include:

Denying PLA-front companies and other inappropriate Chinese borrowing entities the opportunity to sell bonds in the U.S. market. This step can be taken in a non-disruptive fashion (e.g., by creating a security-minded screening mechanism for these prospective bond issuers) without fear of jeopardizing U.S. exports, jobs or "people-to-people" contacts unaffected by such transactions.

Blocking Chinese access to strategic facilities (in the U.S. and elsewhere, notably at the eastern and western ends of the Panama Canal).

Prohibiting the sale of American military production facilities and equipment to China.

Terminating the "anything goes" policy with respect to the export of dual-use technology to Chinese end-users. In the interest of obtaining maximum pressure for change in China, U.S. allies should be offered the same choice they are currently given under the D'Amato legislation on Iran and Libya (i.e., foreign companies and nationals must

decide whether to export militarily-sensitive equipment and technology to China or risk losing their unfettered access to the American marketplace).

Increasing significantly the resources dedicated to uncovering and thwarting Chinese espionage, technology theft and influence operations in the United States. And

Intensifying efforts to provide truthful information and encouragement to those resisting communist repression (including greatly expanding the operations of Radio Free Asia; enforcing the existing bans on the importation of slave labor-produced goods; imposing penalties for religious intolerance, etc.) After all, how a nation treats its own people is a good indicator of how it is likely to deal with those of other states.

This step can help make clear that the United States is not an enemy of the Chinese people, but that it steadfastly opposes the totalitarian government that brutally rules them. It can also help undercut the nationalist xenophobia that the Chinese leadership promotes in its bid to retain power.

THE BOTTOM LINE

The Casey Institute is under no illusion that the tremendous course-correction entailed in such steps will be easily taken by either the U.S. executive or legislative branches. Still, the nature of the threat posed by China is in key respects of a greater magnitude and vastly greater complexity than that mounted by the Soviet Union at the height of the Cold War. It behooves the United States correctly to perceive this danger and respond appropriately before it becomes any harder to do so.

FOOTNOTES

¹According to a front-page article in the 19-25 May 1997 issue of *Defense News*; the Pentagon has just released a study entitled "Chinese Views of Future Warfare," that draws on Chinese writings to document "Beijing's doctrinal shift from a low-technology, personnel-intensive people's war to high-technology regional warfare based on information deterrence and possible first-strikes."

²China evidently concluded after Operation Desert Storm that the traditional strategy of defending its homeland by retreating into the hinterlands and waging "people's war" could not assure victory against a modern military force like that of the United States. Consequently, the PRC had to adopt a forward defense—geared toward denying the U.S. the in-theater bases, logistical facilities and staging points that were decisive to the Gulf War's outcome.

³According to the *New York Times* of 28 May 1997, the United States has sold 46 supercomputers to China over the last 18 months, "giving the Chinese possibly more supercomputing capacity than the entire Department of Defense." Matters are made worse by former Secretary of Defense William Perry's decision to redefine what a "supercomputer" is: Where in 1992, the standard was arbitrarily increased from 195 MTOPS (million theoretical operations per second) to 10,000 MTOPS. As a result, many extremely powerful machines that fall below the new definition of supercomputer have also been made available for export to China.

⁴For a frightening illustration of the implications of such a development, see *Dragonstrike: The Millennium War* by the respected British journalists, Humphrey Hawkins and Simon Holberston.

⁵Two articles documenting China's acquisition of militarily relevant technology from the United States and other Western nations are: a front-page *Wall Street Journal* article by Robert S. Greenberger which appeared on 21 October 1996 and was entitled "Let's Make a Deal—Chinese Find Bargains in Defense Equipment as Firms Unload Assets"; and "Unilateral Armament—Until China's Position in the World is Better Defined, Western Countries Should Stop Selling Arms to Beijing," by Richard Fisher, Jr. which appeared in the 2 June 1997 edition of *National Review*.

⁶*Insight Magazine's* Tim Maier cites *Wall Street Journal* reporter John Fialka as estimating that "about 450 Chinese companies are under federal investigation for economic espionage in the United States." See "PLA Espionage Means Business," 24 March 1997, pp. 8-14.

⁷According to Randolph Quon, an investment banker who formerly worked closely with the Chinese leadership, 150 prominent overseas Chinese

families—including the Riadys of Indonesia—represent enormously important economic and strategic assets to the PRC's leadership. Their huge net worth (measured by some observers to be in the trillions of dollars), their influence in their respective countries and their ability to serve as indigenous surrogates, if not as "Fifth Columns," for Beijing enormously complicates the task of responding to China's predations.

⁸According to the London Sunday Times of 6 April 1997, "Norinco [is] a huge state-run arms manufacturing conglomerate, which answers to the State Council, China's cabinet. Norinco has been implicated in the supply to Iran of strategic materials that could help the Islamic regime develop weapons of mass destruction. Its ultimate boss is Li Peng, China's prime minister."

TRIBUTE TO WILLIAM H. OLIVER,
AN OUTSTANDING, UPSTANDING
AND UNDERSTANDING MAN

HON. DONALD M. PAYNE

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 10, 1997

Mr. PAYNE. Mr. Speaker, Thursday will mark a milestone in the life of one of my outstanding, upstanding, and understanding constituents. This exceptional person is William H. Oliver. Mr. Oliver will celebrate his 85th birthday on June 12.

Mr. Oliver has lived in East Orange, NJ for 46 years. He is a native of Chase City, VA where he grew up. A true believer in the strength of family, Mr. Oliver has dedicated his life to raising and supporting a family that continues to grow in terms of number, scope, and purpose. Mr. Oliver's family reaches beyond his blood line and includes his church family and the community-at-large.

Mr. Oliver is a very active man. He is thankful for his good health and uses his energy and resources to better himself and the world around him. He is a deacon and the treasurer of his church, Messiah Baptist Church, East Orange. He has held these positions for more than 20 years. His church activities have also included being a member of the trustee board, the male chorus, and past chairman of the Flower Guild. His religion and the love and teachings of Jesus have helped to sustain and refresh him. He is also a Master Mason. His lodge, Jephtha 56, is very fortunate to have him involved in their activities.

When we become older our relationships with our children sometimes change, the provider/dependent roles are switched. That is not the case in Mr. Oliver's life. His two children, William H.L. and Gloria are both accomplished, caring, and committed individuals who serve the law enforcement community. His son is captain of investigators with the Essex County Prosecutor's Office and his daughter is lieutenant with the East Orange Police Department. They use their careers to truly serve, protect, and guide. What is wonderful about these two is their relationship with their dad. They proudly and constantly display their love and respect. It is not uncommon for them to seem like the boy and girl of their youth when it comes to their dad.

Captain Oliver can be seen raptly listening to advice from his experienced elder. Lt. Oliver can be overheard extolling the virtues of her dad and saying how fortunate she is to have him around.

Mr. Speaker, I am sure my colleagues will want to join me as I wish Mr. William H. Oliver a happy birthday and happy Father's Day. I

would also like to extend best wishes to Mr. Oliver's descendants in this strong, stable, and viable family—son, William H.L.; daughter, Gloria; granddaughters, Shelly and Krystal, and their husbands, Oran and Vincent; and great-granddaughters, Kourtney and Madison; and the next great-grandchild to be born in December. May God continue to keep and bless each of you.

OKLAHOMA CITY NATIONAL
MEMORIAL ACT OF 1997

HON. FRANK D. LUCAS

OF OKLAHOMA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 10, 1997

Mr. LUCAS of Oklahoma. Mr. Speaker, today I introduce legislation to establish a national memorial in Oklahoma City by establishing the Oklahoma City National Memorial as a unit of the National Park System and to designate the Oklahoma City Memorial Trust. Few events in the past quarter century have rocked Americans perception of themselves and their institutions, and brought together the people of our Nation with greater intensity than the April 19, 1995, bombing of the Alfred P. Murrah Federal Building in downtown Oklahoma City.

The results of the explosion resulted in the deaths of 168 people. Families and survivors struggled and continue to struggle with the suffering around them and with their own physical and emotional injuries which ultimately shaped their life beyond April 19. Although, these losses and struggles are personal, they resulted from a public attack and are shared with the community, the Nation, and the world. The response of Oklahoma's public servants and private citizens, and those throughout the Nation, remain as a testament to the sense of unity, compassion, heroism, that characterized the rescue and recovery following the bombing.

Due to the national and international impact and reaction, the Federal character of the site of the bombing, and the significant percentage of the victims and survivors who were Federal employees, the Oklahoma City Memorial will be established, designed, managed, and maintained to educate present and future generations, through a public-private partnership, to work together efficiently and respectfully in developing a national memorial relating to all aspects of the April 19, 1995, bombing in Oklahoma City. The character of Oklahomans continue to be on display in their asking the Federal Government for financial assistance on this project. Although the memorial will need approximately \$24 million to be established, Oklahomans are asking that legislation establish the Oklahoma City National Memorial as a unit of the National Park System and authorize only \$5 million in Federal funding.

In addition to the proposed Federal money, the Oklahoma City Memorial Foundation is seeking \$5 million from the Oklahoma State Legislature and \$14 million in private donations. The memorial will encompass the Murrah building site, Fifth Street between Robinson and Harvey, and the sites of the Water Resources and the Journal Record buildings. Both National Park Service and non-park service personnel will staff the grounds.

I ask that my colleagues join me in supporting such a worthy piece of legislation. It is the right thing to do.

TRIBUTE TO HANS CHRISTIAN
ACKERMAN, RECIPIENT OF THE
RHODES SCHOLARSHIP

HON. HERBERT H. BATEMAN

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 10, 1997

Mr. BATEMAN. Mr. Speaker, I rise today to commend and congratulate Mr. Hans Christian Ackerman, a recipient of the prestigious Rhodes scholarship. Hans, a graduate of Menchville High School in Virginia's First District and a 1997 graduate of the College of William and Mary, is one of only 32 students nationwide to earn the much coveted scholarship in honor of philanthropist Cecil Rhodes.

As an interdisciplinary studies major and a member of Phi Beta Kappa, Hans specialized in molecular and cellular biology in college. The Rhodes scholarship will enable him to continue his research on infectious disease in Third World countries at Oxford University for the next 3 years.

Much of Hans' scientific curiosity and his dedication to health in underdeveloped countries was fostered by living with his family in Zaire for 7 years. As a child, Hans witnessed the ravages of rubella and malaria throughout the African populations and was disquieted by the inability to prevent such rampant disease.

Last summer, Hans returned to Africa for 7 weeks as a volunteer with the Kenya AIDS Non-Governmental Organizations Consortium. In Kenya, he spent his time as an AIDS educator and helped administer polio vaccinations.

As a result of his upbringing and his experiences, Hans intends to dedicate his life to preventive care medicine as a primary care provider in underdeveloped countries.

Hans' academic success an spirit of volunteerism are matched only by his achievements in the field of music. While at the College of William and Mary, he actively participated in the Gentlemen of the College a cappella group, the William and Mary Choir and the Early Music Ensemble.

Hans has demonstrated outstanding scholastic achievement, a dedication to the prevention of the spread of deadly disease, and a commitment to improving health care in underdeveloped countries. His variety of interests prove him to be a strong role model for any young American. In view of this young man's special achievements, a hope you will join me in congratulating Mr. Hans Christian Ackerman on being chosen as one of the America's Rhodes scholars.

CAPTAIN BODGIT GAVE THIS
OWNER THRILL OF A LIFETIME

HON. CLIFF STEARNS

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 10, 1997

Mr. STEARNS. Mr. Speaker, a former colleague, Congressman Tom Evans has captured the essence of horseracing in America. I'm pleased to make this part of the RECORD because of its significance.