

IN TRIBUTE

SPEECH OF

HON. ROBERT A. BRADY

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1998

Mr. BRADY of Pennsylvania. Mr. Speaker, I rise to echo all the remarks made by my colleagues. My father was a police officer and I know how our family felt every time he went to work protecting the people under his jurisdiction. I can only imagine what the families of Officer Jacob J. Chestnut and Special Agent John M. Gibson are going through right now, the emptiness, the pain and the sorrow.

I can only hope that the bravery and the distinguished act of courage by these two outstanding police officers—and the more than appropriate tribute being paid to them will ease just a little of their pain and make the days pass a little easier for the Chestnut and Gibson families.

IN MEMORY OF MS. SHARI LEWIS

HON. EDWARD J. MARKEY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 4, 1998

Mr. MARKEY. Mr. Speaker, I rise to honor the memory of Ms. Shari Lewis, America's Gentle Giant of Children's TV.

This child of a magician who wove so much TV magic in the minds of America's young people died last Sunday after a tough battle with cancer. To everyone who knew Shari, to everyone she may have come in contact with however briefly, she was warm and generous and curious and spirited, leaving you with the feeling that someone special had just treated you as someone special.

This talent for spreading kindness was so powerful that it translated perfectly through television to the enormous delight of America's children. She gave her voice, literally, to her famous companion Lamb Chop, a sock puppet with spunk and wisdom, and the two of them created a world of learning, thought and fun on public television.

In 1993, I held an oversight hearing to examine broadcaster compliance with the Children's Television Act of 1990. Shari Lewis was kind enough to testify, and Lamb Chop provided a separate statement. In honor of this wonderful woman, the world she helped create for our children, and the angel-on-the-shoulder quality of her plea to the broadcasting community for a higher commitment to educational programming for children, I ask the concluding words of Shari's statement, in which she challenges the industry to step up to its educational programming obligations for children, as well as the entire statement of "Miss Lamb Chop," be inserted in the RECORD, as follows:

PARTIAL STATEMENT OF MS. SHARI LEWIS

But the commitment to accept the challenge, the very real challenge, should be at the heart of the industry and the basis for broadcast renewal. If all broadcasters were regulated so they had to provide good stuff equally, perhaps there would be a race for quality, just as there now is a race for market share.

If each broadcaster had to provide a minimum amount of educational information

stuff, stations would boast of what they were doing for the community's children as they now boast of ratings. And advertisers would be very pleased to be seen as servicing the community.

It comes down to responsibility. I have deep convictions, and I know that there is in the human spirit hate and violence and other dark emotions. It is right that we should acknowledge them on TV in responsible ways.

We should also acknowledge that in every human spirit there is the desire to learn and laugh and do good and help other people.

I wanted to end here. Unfortunately, Lamb Chop has insisted on being heard today. This was not my idea. I do not approve of it. My mother says it is not dignified. However, Lamb Chop insisted. So if you will excuse me, I will get her.

Lamb Chop, come on.

STATEMENT OF LAMB CHOP

Miss LAMB CHOP. Mr. Chairman, I would like to know, am I on my own time, or do I get only part of Shari's?

Mr. MARKEY. You get your own time, Lamb Chop.

Miss LAMB CHOP. Thank you, sir.

Mr. Chairman—

Ms. LEWIS. What do you have on your mind?

Miss LAMB CHOP. It is not what is on my mind, it is what is in my heart.

Ms. LEWIS. All right.

What do you have to say?

Miss LAMB CHOP. I want to say—

Ms. LEWIS. All right. Go ahead. Speak from your little lamb heart.

Miss LAMB CHOP. I can't do it with you sitting there. Go away.

Ms. LEWIS. No, darling, I can't go away. If I am not here, you can't talk at all. Talk.

Miss LAMB CHOP. All right, but if you want to interrupt, lift your hand. Your left hand.

Mr. Chairman, I have been entertaining children for 35 years, which is a long time in the life of a 6 year old.

I would like to say that we really need your help and your care and concern, and we need the best that you grown-ups have to offer. And if you give it to us, we will give the good stuff back. Not only to you, but to our own children as well.

Ms. LEWIS. Lamb Chop, I couldn't have said that better myself.

Miss LAMB CHOP. I know.

Ms. LEWIS. Say good-bye, Lamb Chop.

Miss LAMB CHOP. Good-bye, Lamb Chop.

Ms. LEWIS. Good-bye, everybody.

Thank you.

THE FOURTH QUARTERLY REPORT
OF THE SPEAKER'S TASK FORCE
ON THE HONG KONG TRANSITION**HON. DOUG BEREUTER**

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 4, 1998

Mr. BEREUTER. Mr. Speaker, this Member rises today to submit the Fourth Quarterly Report of the Speaker's Task Force on the Hong Kong Transition. It has been slightly more than one year since Hong Kong reverted to Chinese sovereignty on July 1, 1997. Prior to that historic event, and at your request, Mr. Speaker, this Member formed the House Task Force on Hong Kong's Transition. In addition to myself as chairman, the Task Force is bipartisian balanced in its membership, including Representative HOWARD BERMAN (D-CA). Representative SHERROD BROWN (D-OH), Representative ENI FALEOMAVAEGA (D-

AS), Representative ALCEE HASTINGS (D-FL), Representative JAY KIM (R-CA), Representative DONALD MANZULLO (R-IL) and Representative MATT SALMON (R-AZ).

To date, the task force has prepared four quarterly reports assessing how the reversion has affected Honk Kong. The fourth report, which I submit today, covers the period of April through June, 1998, during which there was no actual visit to Hong Kong by the Task Force. (A visit had been scheduled during the July 4th district work period, but scheduling difficulties forced cancellation of the visit.) Despite a number of concerns about the ailing economy, as well as concerns in the areas of freedom of expression, the independence of the media, and the protection of intellectual property rights, we continue to describe the situation as "so far, so good." Most notably, Hong Kong held remarkably successful elections for the first post-reversion Legislative Council.

Mr. Speaker, this Member submits the Task Force report and asks that it be printed in full in the RECORD.

THE SPEAKER'S TASK FORCE ON THE HONG KONG TRANSITION: FOURTH REPORT, JULY 23, 1998

(Presented by Hon. Doug Bereuter, Chairman)

The following is the fourth quarterly report of the Task Force on the Hong Kong Transition. It follows the first report dated October 1, 1997, the second report dated February 25, 1998, and the third report dated May 22, 1998. This report focuses on events and development relevant to United States interests in Hong Kong between April 1, 1998, and June 30, 1998—the fourth quarter following Hong Kong's reversion to China.

It has been one year since Hong Kong reverted to Chinese sovereignty on July 1, 1997. Looking back at those last few weeks of June, 1997, we recall that the reversion was viewed with a mixture of excitement and trepidation. Many observers, both in Hong Kong and abroad, worried aloud that Beijing might be unable to resist the temptation to meddle in Hong Kong's internal affairs, despite China's commitment in the Joint Declaration to "one-country, two-systems" and its agreements to grant Hong Kong autonomy over all matters except foreign affairs and defense for fifty years. Skeptics questioned whether Hong Kong would continue its traditions of freedom of expression and were concerned about the apparent roll back in democratization of the new electoral system. Businessmen wondered whether Hong Kong would maintain the rule of law upon which its international commercial prominence is based. Other observers, concerned with security issues, questioned Hong Kong's continued ability to maintain effective export controls.

The fourth quarter following revision can briefly be summed up as both "good news and bad news." The good news was that Hong Kong's citizens confounded political pundits by turning out in record numbers for the first post-reversion election of its Legislative Council. The bad news was that the financial crisis which had engulfed much of southeast Asia from mid-1997 finally, unfortunately, made its impact on Hong Kong.

POLITICAL PARTICIPATION—A SURPRISINGLY
ENTHUSIASTIC POPULACE

On May 24, Hong Kong held its first election for its Legislative Council (LegCo) under the new, controversial election law adopted by the post-reversion, Beijing-appointed legislature. The new law rolled back key provisions of election reforms finally instituted by the last British colonial governor, Chris Patten, in 1995. For example, it

maintained the original formula of twenty LegCo members to be directly elected by popular vote, thirty to be elected by "functional constituencies" (initiated by the British in 1985), and ten to be chosen by an Election Committee. However, the "functional constituent" electorate was reduced from approximately 2.7 million voters under the 1995 British reforms to about 180,000 voters. Of course, the widespread view in Congress is that direct election is preferable to functional constituencies and that the members elected by the special Election Commission make the process less than fully democratic.

Because of the complex and cumbersome electoral system, many observers predicted voter apathy and a low turnout. Happily, these predictions proved wrong. Despite torrential rains, a record 53.3 percent of eligible voters cast ballots, compared to 35.8 percent in 1995. The Democratic Party and its allies won 65 percent of the popular vote, but were held to only 20 of the 60 seats because of the complex elections rules. The Democratic Party alone won 43 percent of the popular vote and will be the largest party in the new LegCo. In effect, Hong Kong's voters have created the first opposition bloc in the history of communist-ruled China.

Following the election, seven parties crossing ideological lines and representing 41 of the 60 members of the new legislature agreed on a blueprint to create jobs and revive Hong Kong's ailing economy. In an extraordinary challenge to C.H. Tung's notion of executive-led government, the coalition threatened to block all of the administration's legislation and funding unless it played ball. The two sides averted a showdown by agreeing to a dialogue aimed at finding solutions to Hong Kong's economic troubles.

Many Hong Kongers now hope that the high voter turnout and strong showing of the Democrats and their allies will hasten the pace toward full universal suffrage. President Clinton buoyed those hopes during his July 1-3 visit to Hong Kong (the first by a sitting president), when he called for "more democracy, not less, and faster, not slower, strides toward political freedom." Accelerating the pace toward universal suffrage, however, would require amendment of the Basic Law, Hong Kong's mini-constitution, which stipulates that a fully directly elected LegCo will not be considered before the year 2007. Amendment, however, requires approval by both the chief executive and China's National People's Congress, and thus is viewed as highly unlikely.

RULE OF LAW—FREEDOM OF EXPRESSION

As we have noted in earlier reports, international confidence in Hong Kong is based on the commitment of Hong Kong's authorities to the rule of law inherited from the British. An integral part of this is the "check" on the abuse of authority provided by the free expression of opinion. During this quarter, we find again that the people of Hong Kong largely continue to express themselves without restraint. On June 4, for example, more than 16,000 protesters held the first commemoration of the Tiananmen Incident since reversion. While the crowd was lower in number than in 1997, the high turnout belied skeptics who had predicted interference. Similarly, political activists protesting Japan's occupation of the Diaoyu Islands (Senkakus) have operated freely. Hong Kong authorities report that it has not denied any application for a demonstration permit since reversion and that the number of demonstrations has actually increased from an average of 80 per month prior to reversion to between 150 and 160 per month.

Hong Kong's media also continues to practice its traditional vibrant style of journal-

ism without overt interference from authorities in Hong Kong or Beijing. Nonetheless, concerns of self-censorship continue. The Hong Kong Journalists Association, in its recently issued annual report, noted that self-censorship was "nor worse" than in the year prior to reversion. It noted, however, that concerns were on the rise about the self-censorship of reporting on independence-related activities in Tibet, Taiwan or Xinjiang. Recently, for example, the Western media gave considerable attention to a local Hong Kong television reporter who claimed that his report on the independent movement in Xinjiang was kept off the air for political reasons.

This aspect of freedom of expression and how it applies to expressions about certain sovereignty issues in China is especially important because Hong Kong's Legislative Council will soon be considering a measure to define subversion. Moreover, Chief Executive Tung has widely stated that he believes Hong Kong people should not be freely expressing their support for independence for places like Taiwan, Tibet and Xinjiang. Therefore, a crucial test of Hong Kong's adherence to free expression will be whether mere expressions of support for independence for those areas will be punishable under law.

Beijing authorities, however, continue to bend over backward to avoid the appearance of direct interference. At the time of Chinese Prime Minister Zhu Rongji's early April visit to France, a senior Chinese foreign ministerial official rebuked a Hong Kong television reporter accompanying the visit after the reporter asked Zhu what he felt about the demonstrators. The subsequent uproar over this perceived threat to press freedom led premier Zhu to publicly criticize the Chinese diplomat for having a "bad attitude." The controversy eventually died down.

A fair and independent judiciary is another critical element of international confidence in Hong Kong. In general, the Hong Kong judiciary continues to operate independently and without taint of political influence. During the past quarter, we noted no new instances, as we did in the previous quarter, which would call into question the judiciary's independence or its vulnerability to Chinese influence.

On a more positive note, the Hong Kong government clarified in April that the first official post-handover human rights report to be submitted to the United Nations by the SAR government will not be amended by Beijing. This report is submitted under the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. The report will be submitted through Beijing, but will not be subject to Beijing's review.

ECONOMIC DEVELOPMENTS

Ironically, the greatest immediate threat to Hong Kong's prosperity stems not from its reversion to China but from the external events of the Asian Financial Crisis. It just posted its second quarter of negative growth following a 2% contraction in the first quarter of 1998. It is now clear that Hong Kong is in a recession for the first time in 13 years. Almost no one (including Hong Kong officials) predicts an early turnaround.

This negative growth led to an unemployment rate of 4.5 percent in for the months April-June, a 15 year high, concentrated in the retail, restaurant and transport sectors. Retail sales dropped 16 percent in April over April 1997, due largely to reduced tourism, a marked correction in the asset markets and reduce local consumer demand. Additionally, Hong Kong's real estate bubble has burst and commercial and residential property prices at the end of June were 40% below their bub-

ble-priced highs of 1997, returning to their 1996 levels. The Hang Seng Index has followed the real estate downward slide, falling at one point to 40% below its all time high of August last year. It ended June at 8,543 points. The market did not respond positively to the government's stimulus package (described below), and also remained concerned about the Japanese economy, China's commitment to maintaining the renminbi, and regional economic woes. Finally, Hong Kong's tourism industry has been badly affected by the decline in visitors from the flagging economies of East Asia, and Hong Kong is now projecting a minus six percent growth in tourist arrivals and a decline of eight percent in tourism revenues in 1998.

The positive news in Hong Kong is that the Hong Kong Government is responding. Chief Executive Tung proposed a stimulus package of \$5.67 billion U.S. dollars in June. The multi-part package is aimed in part at easing the credit and liquidity crunch by immediately exempting interest income earned locally from profits tax and setting up a credit guarantee system for small to medium businesses. The government also suspended all land sales until next March—thus reducing the downward pressure on the real estate market—while at the same time increasing assistance for new home buyers. It also imposed a freeze on pay raises for top civil servants. The stimulus package will force the highly efficient civil service to wipe out an anticipated budget surplus and to run a deficit of \$2.7 billion U.S. dollars in 1998-1999—the largest deficit since the early 1980s. In earlier measures, the government eased travel requirements for travelers from both Taiwan and the mainland in an effort to boost tourism. Confidence in the Hong Kong dollar remained high, with the ratio of Hong Kong dollars to total bank deposits in May unchanged from April's 57.7 percent, and the ratio of foreign currency to total bank deposits ending the month of May at a healthy 42.3 percent.

Despite its considerable economic woes, Hong Kong still maintains the third largest holding of foreign currency reserves in the world. With \$96.2 billion U.S. dollars, they are behind only Japan and China in that category. Moreover, Hong Kong has not jettisoned its free market ideology and ranks 2d on the competitiveness rankings of the World Economic Forum and 1st in the Heritage Foundation's ranking. Negative economic growth and rising unemployment has put strong pressure on authorities to "untie" the "peg" that has bound the Hong Kong dollar to the U.S. dollar at HK \$7.8 to one U.S. dollar for the past 15 years. Hong Kong authorities have repeatedly assured skeptics that they have both the foreign exchange reserves and the political will to maintain the U.S./Hong Kong dollar linked exchange rate system.

TRADE ISSUES

While the Asian Financial Crisis has seriously jolted and hurt Hong Kong's economy, it has also highlighted Hong Kong's serious and unhealthy dependence on entreport trade between the United States and China. Entreport trade is one of the few economic areas still registering positive growth as compared, for example, to exports from domestic manufacturing in Hong Kong.

For Hong Kong, its reliance on entreport trade is both good and bad. The United States is still growing and buying more and more Chinese manufactured goods. This provides an excellent export market for Hong Kong. Nevertheless, the bad news for Hong Kong is that our current trade deficit with China (\$50 billion last year and projected to be \$60 billion this year) is politically and economically unsustainable. And if the

China trade deficit issue is not addressed by increased market access for U.S. firms to China, then Hong Kong could get hit with collateral damage from a frustrated America and the U.S. Government—even if it does everything right.

The pirating of movies, audio and software compact discs continues to be the most serious bilateral trade issue between the United States and Honk Kong. In recent months, Honk Kong has stepped up its anti-piracy enforcement efforts and implemented a new copyright law. The new law, among other things, gives officials greater enforcement capabilities against illicit production facilities. Honk Kong customs authorities, which have had primary jurisdiction for enforcing IPR legislation, were recently joined by Honk Kong's highly respected Independent Commission Against Corruption (ICAC), which combats corruption and triad-related crime. The ICAC in April carried out a "mega-raid" that netted over eight million video compact discs in the course of an investigation against one of Honk Kong's most senior customs officials (subsequently charged with tipping off a pirating syndicate about planned raids). Not long after, customs followed with a raid which yielded an additional 2.2 million compact discs. Further productive raids were made in June.

Despite these efforts, the intellectual property rights (IPR) situation in Honk Kong remained sufficiently troublesome of warrant its designation by USTR on the Special 301 Watch List for the third year in a row on May 1, 1998. The ongoing IPR problem was demonstrated again when a pirated pre-release version ("beta version") of "Windows 98" appeared on Honk Kong streets well before the official release of the software in the United States. The local media reports that Honk Kong authorities are considering stronger measures to combat piracy, including applying the Organized and Serious Crime Ordinance to violators (which would allow their assets to be seized) and punishing landlords who lease shops to retailers of pirated material.

Money laundering also remains a very serious concern in U.S. bilateral relations with Honk Kong. As we have noted in earlier reports, the same favorable factors that make Honk Kong one of Asia's most important financial centers also make it attractive to criminals wishing to conceal the source of their funds through money laundering. It is important that Honk Kong work harder with the international community to improve its laws and enforcement in this vital area. We note, in that regard, that Honk Kong is a member of the Egmont Group (the international group which combats money laundering) and that Taiwan joined in June. Some observers expect Taiwan's inclusion to create a new dynamic in East Asian efforts to fight money laundering.

SECURITY AND RELATED ISSUES

There are three primary security related issues with Honk Kong—ship visits, PLA activities and export controls. First, the U.S. Navy continues to enjoy an excellent relationship with Honk Kong in terms of ships visit. With the loss of Subic Bay as a major installation, these port-of-call visits have become extremely important for the effective functioning of our naval forces in East and Southeast Asia. The relationship with Honk Kong port authorities since the reversion has been outstanding. We are unaware of any security problems in the 65 port calls since the reversion. As an added benefit, the resident People's Liberation Army (PLA) officials certainly have developed a better appreciation of the power and flexibility of the U.S. Navy.

The second security concern is related to the influence of the PLA and the Chinese defense industries in Honk Kong business. Certainly, there is concern regarding the PLA's surreptitious acquisition of militarily sensitive technologies. We have no evidence to date of direct involvement by PLA entities in Honk Kong (estimated at nearly 200 companies) in acquisition of sensitive technology. Yet to the extent that PLA entities operating in Honk Kong are engaged in arms trading or acquisition of Western technology, Honk Kong's relations with the U.S. will be put at risk. Their activity, or lack thereof, will be an important determinant in future congressional attitudes.

The implementation of export controls is a third area of security-related concern. We are pleased to note no new incidents of export control violations to report this quarter. Honk Kong continues to exercise autonomy as a separate customs territory within China and to demonstrate vigorous enforcement of its strict export control regime. United States officials continue to conduct pre-license and post-shipment inspections. Moreover, U.S. and Honk Kong customs officials continue their close cooperation and, in July, will hold the second in the most recent series of consultations on licensing, enforcement and the exchange of information.

MACAO

The Portuguese colony of Macao will revert to Chinese rule on December 20, 1999, after 442 years. Like Honk Kong, this territory of 500,000 people, 95 percent of whom are ethnic Chinese, will become a Special Administrative Region with a "one country, two systems" formula for the next 50 years. As we noted in our previous quarterly report, however, a number of the transition issues for Macao are very different from those faced by Honk Kong. Unlike Honk Kong, for instance, the legislature elected under colonial rule will remain in place.

While U.S. interests in Macao are not nearly as large as those in Honk Kong, they nonetheless require our continued attention. For

example, the transhipment of textiles through Macao continues. But primary among our economic concerns is Macao's role as a manufacturing center for pirated goods, particularly pirated compact discs. To date, Macao has yet to develop adequate legislation, enforcement mechanisms and manpower to tackle this problem. Macao also lacks legislation on money laundering. It is in U.S. interests to press Macao's authorities to move forward expeditiously to correct those shortcomings.

As we noted in our third quarterly report, Macao's Portuguese administrators have still not made adequate arrangements to replace themselves with local Macanese officials and are well behind where the British were 18 months before the handover of Honk Kong. They have also allowed the law and order situation to deteriorate. Throughout the spring, news reports of gangland slayings and attacks on public officials repeatedly filled the news, seriously affecting Macao's tourism. China and Portugal exchanged frequent barbs accusing each other of contributing to the growing spiral of public violence. Finally, following the early May firebombing of police chief's car, authorities performed a massive crackdown, netting two dozen suspected triad society members, including Macao's most notorious gangster, "Broken Tooth" Wan. Local police have now been reinforced by 20 criminal investigation experts from Portugal. We applaud strengthened measures against organized crime. It will be difficult for the territory to complete smooth transition unless it brings the intolerable situation under control.

CONCLUSION

The Honk Kong Transition Task Force has ended our previous three quarterly reports with the assessment "so far, so good." This time, we cautiously repeat that assessment, but with a few caveats. On the economic front, we recognize that the external forces affecting Honk Kong are beyond its control and complicate the transition in unexpected and unpredictable ways. We were encouraged by the demonstration of support for democratic institutions shown in the May election and applaud those elements pressing to accelerate the move toward universal suffrage. We continue to be satisfied with the restraint shown by the Chinese government in its handling of Honk Kong, at least to the extent visible to outside observers. We are concerned, however, by what appears to be growing self-censorship, although we admit that the phenomenon of self-censorship is difficult to document or quantify. Undoubtedly, the coming months will bring new challenges to Honk Kong and the region. It is important that the international community and Congress continue to closely monitor developments there.