

EXTENSIONS OF REMARKS

FIRST QUARTERLY REPORT BY
THE UNITED STATES HOUSE
TASK FORCE ON THE HONG
KONG TRANSITION

HON. DOUG BEREUTER

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, November 12, 1997

Mr. BEREUTER. Mr. Speaker, in response to your directions, I have prepared the following report, the first in a series of quarterly reports by the U.S. House Task Force on the Hong Kong Transition on the status of Hong Kong following its return to the People's Republic of China. It was completed, effective October 1, 1997.

Also at your request, I have formed the House Task Force on Hong Kong's Transition to observe and report on Hong Kong's status following its reversion to China. In addition to myself as chairman, the task force will be bipartisanship balanced and will include Representative HOWARD BERMAN, D-CA; Representative SHERRON 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. As you requested, the task force expects to travel to Hong Kong, Beijing, and other relevant destinations at least every 6 months for the foreseeable future to examine how reversion has affected Hong Kong. The first such visit is expected to take place after the adjournment of the 1997 session but before the end of the calendar year.***HD***Concerns Prior to Reversion

Prior to Hong Kong's July 1, 1997, reversion to Chinese sovereignty, many observers expressed skepticism over Beijing's assurances that it would allow Hong Kong full autonomy in matters other than foreign policy and defense. Skeptics questioned whether Beijing could resist the temptation to meddle in matters related to freedom of expression, for example. They were also concerned about indications that the Beijing-sponsored provisional legislature would roll back forward-looking measures taken by the last colonial Legislative Council [LEGCO] and that the new provisional council would institute election rules less representative than those put into place by Governor Patten in 1995. Businessmen wondered whether China could refrain from meddling in Hong Kong's affairs, either intentionally or otherwise. Maintaining the rule of law and resisting the lure of corruption, so common in China, were key commercial concerns. On the security side, skeptics questioned Hong Kong's continued ability to maintain effective export controls. The future of U.S. ship visits was also in doubt.

IN GENERAL: SO FAR, SO GOOD

While Hong Kong has been under Chinese sovereignty for only 3 months, public confidence is high. Hong Kongers are close to unanimous in expressing relief and pleasure

that life has not changed after reversion. The press and media continue to be open, free, and full of criticism and analysis of both the Hong Kong and Beijing governments. Journalists, while wary and suspicious about China's long-term intentions, continue to cover the news much as they did before July 1, 1997. For example, the recent Chinese Communist Party Congress drew extensive commentary. Journalists displayed no hesitancy in voicing views not welcome in Beijing. Nonetheless, the self-censorship that began to creep into coverage in some papers prior to reversion has continued.

Demonstrations—by pro-democracy and pro-Beijing groups and a myriad of local organizations—continue without interference or restriction. More than 150 demonstrations have taken place since the July 1 turnover. Indeed, in an uptick in the number of demonstrations, a gauntlet of demonstrators regularly greets Hong Kong Chief Executive C.H. Tung when he arrives for weekly executive council sessions. However, in a typical Hong Kong twist, Tung invariably trades handshakes and smiles with his critics, who line up behind the waist-high barricades flanking the entry to Central Government Offices as he walks past.

NGO's, including those harshly critical of China, continue to operate freely. Han Dongfan, exiled PRC dissident and leader of workers' groups during the 1989 Tiananmen demonstrations, reports no problems continuing his work in Hong Kong thus far. Commenting in a local newspaper, Han said it was too early to tell what Beijing would eventually do, but "as far as I can see with all the demonstrations by Democrats and others—there is hope for democracy here." Han continues to broadcast regularly from Hong Kong via Radio Free Asia on one of its most popular programs, "The Labor Corner." Amnesty International, Human Rights Watch and Human Rights in China representatives in Hong Kong are encouraged by the continued demonstrations and absence of any Hong Kong Government moves to restrict their operations. Meanwhile, democrats say that the threat to Hong Kong would come from a very slow erosion of the rule of law, not a sudden crackdown on civil liberties or freedom of speech.

Concern arose in mid-September, however, when both the Chinese and the Hong Kong governments objected to the credentialing of two human rights groups to the recent IMF/World Bank meeting in Hong Kong. Since human rights is in the lending guidelines of these financial institutions, participation by the human rights groups was appropriate. The objections of the Hong Kong government are troubling. Ten Members of Congress, led by Congressman BERMAN, wrote to Secretary of the Treasury, Robert Rubin, to express their concern.

APPROVAL RATINGS HIGH

Reflecting locals' belief that life goes on as usual, Tung's approval ratings have continued to climb since mid-June, when only 57 percent of Hong Kongers reported they were satisfied with his performance. By early August, a reli-

able local poll showed 78 percent of Hong Kongers were satisfied with Tung. That number rose to 82 percent in early September. Even among survey respondents who said they would vote for pro-democracy parties, 80 percent indicated they were satisfied with the chief executive, rivaling prominent pro-democracy advocate Martin Lee's 82 percent rating.

LOCAL AUTONOMY RESPECTED

The central Chinese Government appears to be taking seriously President Jiang Zemin's pledge at the handover that no mainland government officials "may or will be allowed to interfere" in the affairs which Hong Kong should administer on its own. Premier Li Peng reiterated that pledge and gave a strong vote of confidence to Tung in mid-September while hosting the IMF and World Bank meetings in Hong Kong. Far from being heavy-handed or insensitive, Beijing appears to have absented itself from active involvement in Hong Kong affairs since the handover. Again and again, China has gone out of its way to project a benign "smiling face" image on Hong Kong-related matters.

LOW-KEY APPROACH

After installing the urbane Ma Yuzhen as head of the Ministry of Foreign Affairs [MFA] office in Hong Kong, and the low-key diplomat Jiang Enzhu to replace the always pugnacious Zhou Nan at the Xinhua News Agency, the de facto MFA representative in Hong Kong prior to reversion, China has stood back and refused to become embroiled in local issues. Xinhua, once a source of constant criticism and commentary on Hong Kong Government policy, has fallen silent. MFA head Ma Yuzhen has deferred to the Hong Kong Government on virtually all matters. His contacts with Hong Kong Government officials have reportedly been strictly limited to protocol matters.

If China is attempting to influence certain issues, it is doing so in a manner that is not public. Political debates China has avoided commenting on or attempting to influence publicly include:

The plight of illegal immigrant children with the right of abode in Hong Kong. China has allowed the Hong Kong courts and government to interpret the Basic Law's provision of the right of abode in Hong Kong to certain Chinese nationals. Citing administrative efficiency and preventing overcrowding in schools, Hong Kong will not allow unrestricted entry of PRC nationals who received the right to live in Hong Kong when the Basic Law comes into force on July 1.

Displaying the "Republic of China" Taiwan flag in Hong Kong. Ma Yuzhen, when pressed by a reporter, said the issue would be for Hong Kong to decide.

Hong Kong Government spending. Hong Kong pledged one billion United States dollars to the IMF Thailand bail-out and committed over seven billion United States dollars to a railway construction project. Chinese scrutiny of government spending under the British was intense, usually hostile, and raised fears that China would not stay out of Hong Kong's affairs after reversion. The IMF pledge and the

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

rail project are early indications that China does not always act like a "control freak"—one of Governor Patten's favorite descriptions—and will honor the pledge to respect Hong Kong's autonomy. It should be noted, however, that China also pledged one billion United States dollars to Thailand and therefore would not likely be opposed to Hong Kong's assistance.

SINO-U.S. COOPERATION

In one of the most notable examples of China's smiling face approach to Hong Kong, China outdid itself both in making arrangements for the first visit of a U.S. naval ship to Hong Kong after the handover and in projecting an image of friendliness when the U.S.S. *Blue Ridge* and Seventh Fleet Commander Natter were in town. Subsequent visits by other ships, including nuclear powered ships, were equally successful. No effort was spared to demonstrate China welcomed ship visits as much as British forces did. Appearing conscious that their presence raises the anxiety level in Hong Kong, the PLA garrison has stayed out of sight—and even reduced its numbers—except for carefully scripted appearances by smiling senior officers.

BUSINESS AS USUAL

Reflecting business confidence that Hong Kong's economy will continue to prosper after reversion, Hong Kong's first and second quarter 1997 real gross domestic product growth reached 6.0 percent and 6.1 percent, respectively, thus out-pacing analysts' forecasts for the year of 5.5 percent. This compares to real gross domestic product growth figures for 1996 and 1995 of 4.7 and 4.8 percent, respectively. The Hong Kong Government attributes the first half improvement to a revival of domestic demand, reflected in buoyant stock and property markets, modest improvement in exports, especially services, and increased investment, some of it related to construction of the new Chek Lap Kok Airport. The inflation picture has also somewhat improved in 1997. Consumer price increases declined from 6.0 percent in 1996 to 5.9 percent in the first half of 1997. Unemployment dropped from 3.2 percent in 1995 to 2.8 percent in 1996 and recently stood at just 2.4 percent, May–July 1997, largely due to recovery in the retail sector.

Hong Kong's normally strong financial markets weathered recent currency and stock turmoil during this period but demonstrated they are not immune from shocks. While the Hong Kong dollar remains strong, in late July, the government felt compelled to vigorously defend a brief attack on its dollar by expending 1.0 billion United States dollars of its reserves and jacking up interest rates. Some believe the real target was not the dollar, but an attempt to influence the Hong Kong stock market. Hovering around 14,500 in mid-September, the stock market was volatile in recent months, scoring a record high in August of 16,802, while registering record turnover. The sell-off of Hong Kong shares is partly attributed to meeting cash margin calls in other markets such as those in Thailand and the Philippines. Another major contributor, however, was a feeling that the prices of China-related shares were badly inflated. Most applaud Hong Kong's one billion United States dollar commitment and its leadership in the Thai recovery program, citing the need to help neighbors while simultaneously strengthening its own defenses.

Assessments of the recent regional currency turmoil on Hong Kong suggest modest nearterm costs. One observable increased cost was the rise by 30 to 50 basis points above regular levels of 20 points in Hong Kong's interest rate risk premium. Long-term concerns include potential shifts in trade and investment as Hong Kong's goods/services become relatively dearer. This is also true of Hong Kong's important re-export trade to/from China. Analysts say currency problems might shave just one-tenth to one-half a point off gross domestic product growth next year, while a greater concern might be reduced commitment from China to reforming its financial system.

Despite regional currency turbulence and stock market volatility, monetary figures show no signs of capital flight or panic. Total deposits in all institutions in July 1997 stood at 343 billion U.S. dollars, up 15.9 percent from a year earlier, with Hong Kong dollar deposits exceeding foreign currency deposits 59.6 to 40.4 percent, respectively. The Hong Kong dollar, pegged to the United States dollar, has been steady at around 7.74 Hong Kong dollars per United States dollar and the Hong Kong Monetary Authority is confident it can effectively defend the peg.

The fact that things remain relatively stable despite regional turbulence does not guarantee that there will not be continued rough going ahead, particularly if the currency situation in Southeast Asia remains volatile. The continued overinflated value of Hong Kong real estate could also contribute to currency instability. A certain amount of volatility, of course, is a part of any mature economy. This should not affect Hong Kong's democratic process.

Signs so far indicate that America's substantial commercial interests in Hong Kong are benefiting from Hong Kong's continued post-reversion prosperity. U.S. companies have 16 billion U.S. dollars in direct investment and billions more in portfolio investments. The United States exports to Hong Kong totaled 14 billion United States dollars in 1996 and 7.5 billion United States dollars in the first half of 1997. U.S. Department of Commerce figures showed an estimated 4.1 billion U.S. dollar U.S. trade surplus with Hong Kong in 1996. The first quarter 1997 U.S. surplus reached 1.4 U.S. dollars. The American Chamber of Commerce's recent Annual Business Confidence Survey showed confidence in Hong Kong's future up and high—95 percent—though tempered by concerns about prospects for the rule of law, the free flow of information and corruption. Specifically, many businessmen, both foreign and local, fear that as the mainland's influence in Hong Kong increases, so will the corruption which has become endemic in many parts of China.

CONCERNS REMAIN

a. Election law

Despite indications that China is refraining from interfering in Hong Kong affairs, a number of serious concerns remain. One primary concern is proposed changes to electoral laws. On July 8, the government of the Hong Kong Special Administrative Region released proposals, prepared by the Beijing-appointed Preparatory Committee, for new electoral arrangements to govern the spring 1998 elections which, while adhering to the major electoral requirements set forward in Sino-British

agreements on Hong Kong, are controversial because they dismantle key portions of the electoral reforms put into place by Governor Patten in 1995. The proposals maintain the original formula of 20 Legco members to be directly elected by popular vote, 30 to be elected by "functional constituencies"—initiated by the British in 1985—and 10 to be chosen by a special Election Committee. However, the proposals would shrink the "functional constituent" electorate from approximately 2.7 million voters under the 1995 British electoral reforms to as low as approximately 180,000, according to some estimates. For the 20 directly elected seats, the proposals would also scrap the United States-style "winner-take-all" style system introduced by the British in 1995 and substitute a European-style "proportional representation" system. Critics fear that the new arrangements will dilute the political power of the Hong Kong's Democratic Party and favor pro-China candidates and that seems likely to be the case. Aware of this criticism, C.H. Tung, during his September visit to the United States, outlined his plans over the next decade gradually to expand to 50 percent the number of directly elected Legco seats—now one-third—and to expand the size of the committee which will select a new chief executive.

b. Export controls

Another area of concern is Hong Kong's ability to maintain its high regulatory and monitoring standards in controlling the transfer of sensitive technologies. Currently, United States export control policy toward Hong Kong is less restrictive than that applied to China, based on Hong Kong's past demonstration that its export control policies were sufficiently effective. This policy is based on the Hong Kong Policy Act, which calls for continued separate treatment of Hong Kong in export controls as long as it is able to protect United States technology and equipment. Of course, monitoring Hong Kong's continued autonomy in this field is critical to assessing the risk to United States nonproliferation interests. The General Accounting Office points out that key indicators to watch will include changes in the composition and volume of United States exports of controlled items to Hong Kong, which could signal efforts by China to obtain sensitive technology such as the optical sensors that it has previously been denied. Hong Kong officials maintain that China's desire to see Hong Kong continue to succeed economically will restrain such activity. To date, United States officials report no change in the performance of Hong Kong customs officials in both pre- and post-license checks.

c. Customs

Hong Kong cooperation in customs enforcement is another issue that bears watching. Increased instances of textile transshipment through Hong Kong led United States Customs to impose special administrative restrictions on textiles from Hong Kong in June 1996. This "wake up call" pressured the Hong Kong customs authorities to crack-down on transshipments and institute new procedures. By June 1997, Hong Kong had made enough progress to persuade United States Customs to lift their special administrative restrictions. Observers see no change to date between pre- and post-reversion performance on the part on Hong Kong customs authorities.

Mr. Speaker, in conclusion, Hong Kong has been under China's sovereignty for only 3

months. It is too early to judge the reversion. Nonetheless, indications to date are hopeful. Civil liberties continue largely unaffected. The economy continues to thrive. U.S. ship visits continue with little change and are indeed, welcomed with open arms. However, we continue to be concerned about the potential over time for the constriction of democracy, media self-censorship and the loss of hard-won rights. Chinese and Hong Kong authorities are acutely aware that the eyes of the world continue to scrutinize their post-reversion actions. That continued scrutiny is well warranted and will help ensure that all concerned continue to value and maintain Hong Kong's autonomy.

CONGRESSIONAL BIOMEDICAL
RESEARCH CAUCUS

HON. GEORGE W. GEKAS

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, November 12, 1997

Mr. GEKAS. Mr. Speaker, on September 10, the Congressional Biomedical Research Caucus conducted its 57th briefing on the subject of the "University of Genes: The Bits of DNA That Make Us What We Are." Dr. H. Robert Horvitz, Howard Hughes Medical Institute investigator and professor of biology at MIT, and Dr. Philip Heiter, professor of medical genetics of the University of British Columbia, Vancouver, spoke about the similarity of genes across species and how this discovery assists in biomedical research.

I was particularly pleased to have Dr. Horvitz participate because as a member of the Joint Steering Committee—a coalition of five basic biomedical research societies: the American Society for Cell Biology, the American Society for Biochemistry and Molecular Biology, the Biophysical Society, the Genetic Society of America, and the Association of Anatomists—he has played a significant role in supporting the caucus briefings.

Congressman JOSEPH KENNEDY of Massachusetts introduced Dr. Horvitz and was joined in attendance by myself, Congressman STEVE HORN, Congressman JOEL HEFLEY, and Congressman TOM PETRI, as well as a room full of senior health staff.

I believe our colleagues will find Dr. Horvitz's remarks useful.

ALL CREATURES GREAT AND SMALL: THE
UNIVERSALITY OF GENES

I. INTRODUCTION

First, I would like to thank the organizers of this Caucus for inviting Phil Heiter and me to talk with you today. The title of this Caucus is "All Creatures Great and Small: The Universality of Genes." What we are going to discuss today is one of the most striking discoveries in the history of biomedical research: genes—the bits of DNA that make us what we are—genes are so remarkably similar among different organisms that we can study what they do in a microscopic worm or in a yeast that is used to make beer to learn how they work in us.

II. GENES

Let me start with a few introductory remarks about genes. Genes define hereditary traits. Each gene can exist in different forms, and such variations in the forms of genes result in variations in traits. Some such variations we consider simply to be what make us different from one another: for

example, eye color and blood type are defined by genes. Similarly, our sexual characteristics, whether we are boys or girls, as David Page put it in an earlier Caucus, are determined by our genes. Variations in other genes result in variations in other traits: for example, dwarfism, deafness and color blindness can be caused by variations in genes. Variations in still other genes results in variations in our traits that we label "disease": Huntington's Disease is caused by one such gene; variations in other genes cause or predispose one to cancer, cardiovascular disorders, asthma, cystic fibrosis, premature aging, Alzheimer's Disease, bone loss, and many, many other diseases.

So, genes are important to us, and crucial to our health. How can we learn about our genes, what they do, and how they sometimes go wrong? One approach is to study our genes—human genes—directly. Biologists do this. (I do this.) But the study of human genes is in many ways very slow and inefficient. Furthermore, some types of genetic studies are simply impossible to do with people. For example, the classic method of genetics is to cross individuals with different gene variants (called mutation); this we cannot do with people.

III. UNIVERSALITY

Fortunately, biology has provided us with an approach that is feasible: genes are strikingly conserved among organisms, so we can study genes in experimental organisms and in this way learn what genes do in us. Let me show you an example from my own research. I study two organisms, human beings and the nematode roundworm known as *C. elegans*. My focus in humans is on Lou Gehrig's Disease, or ALS, the devastating disease that killed Lou Gehrig, Jacob Javits, David Niven, and many others. Four years ago, with a team of collaborators, we found a gene responsible for ALS, a gene known as SOD1. SOD1 in humans is strikingly similar to SOD1 in my worm, as can be seen by the large number of boxed identities in the sequence of the protein products of these genes. Such similarity is seen in SOD1 in many organisms: the gene in spinach is essentially the same as well. To understand what SOD1 does, and how it goes wrong in ALS, one can study the gene in whatever organism is best suited for a particular line of inquiry, and SOD1 is now being studied in worms, in brewer's yeast, in fruit flies and in mice in attempts to understand how it causes ALS in humans. Let me generalize from this example and show you more broadly the degree to which genes are conserved among organisms.

The next slide is from an article written by Phil Heiter, our next speaker. This table shows a list of 84 human genetic diseases, from A to Z (really from A to W: achondroplasia or dwarfism is No. 2 on the list, while Wornor syndrome, which results in premature aging, is 4 from the bottom). The columns show matches (in color) with genes found in those organisms commonly used for laboratory studies of genetics: the mouse, the fruit fly, the nematode roundworm, brewer's yeast, and the intestinal bacterium *E. coli*. What you can see is that almost all of these human genes have a counterparts in the mouse, that many do in the fruit fly and worm, and that quite a few do in the yeast and bacterium. This table underestimates the degree of similarity with mice, fruit flies and roundworms, since many genes remain to be characterized in these organisms and some will no doubt provide additional matches. It is now clear that almost every human gene has a mouse counterpart, that the majority have fly and worm counterparts and that many have yeast counterparts. These kinds of observations, coupled with

findings that genes that look similar act similarly, have led to the use of experimental organisms as models for human biology and human disease.

IV. ORGANISMS

If all organisms have similar genes, how do scientists decide which organisms to study? The short answer is that different organisms have different experimental advantages and that by studying a variety of organisms biologists obtain different types of data that together help us understand what genes do. To provide some concrete examples of how studies of these simple organisms are helping us to understand as well to prevent and cure human disease, Phil Heiter and I will now talk about work involving "our" organisms, the brewer's yeast and the roundworm. The next slide summarizes my perspective on using roundworms to study human disease, given what we know about human genes and worm genes: "Worms are little people in disguise." So let me start with the neurodegenerative disorders, such as Alzheimer's Disease, and on cancer.

V. ALZHEIMER'S DISEASE AND THE PRESENILINS

First, let's talk about Alzheimer's Disease. Some, but not all, cases of Alzheimer's Disease are clearly genetic, i.e. pass from parent to child. Most genetic or "familial" AD is caused by changes in a single gene, known as PS-1, for "Presenilin gene number one." In 1995 this gene was isolated biochemically. What does it do? How can we find out? Simply having access to a gene is not enough to tell us what it does unless it is sufficiently similar to a gene we already know about.

PS-1 is similar to four other known genes. One, called PS-2, is a second Alzheimer's gene isolated in 1995. The other three are all in the roundworm *C. elegans*. How similar are these worm genes to the human genes? In one experiment, researchers at Columbia University in NYC showed that the human PS-1 gene could work in the worm, substituting for one of the worm genes it looked like. This finding says that the human AD gene and the worm gene are functionally interchangeable. They are very similar. Thus, figuring out what the worm gene does should give us a very strong clue about what the human gene does. Studying this worm gene is now a important effort in both academia and the biotech industry.

VI. CANCER AND THE RAS PATHWAY

Let me turn now to cancer. Cancer, like familial AD, is caused by variants in genes. The first human cancer gene was identified in 1981. This gene was called Ras. Biomedical researchers actively analyzed Ras and desperately wanted to know what it does and, in particular, wanted to know the pathway through which Ras acts. This concept of pathway is key for the development of pharmaceuticals: if you can block the action of a disease gene, either directly or indirectly, i.e. either by acting directly on that gene or by acting later in the gene pathway through which that gene acts, you should be able to prevent the disease.

What is the Ras genetic pathway? The answer emerged not from studies of human Ras but from very basic and apparently unrelated studies of animal development, in particular studies of the development of a sexual organ of the roundworm and of the eye of the fruit fly. It turned out that a gene that controlled worm sexual development as well as a gene that controlled fly eye development were both strikingly similar to human Ras. The levels of identity were approximately 80 percent. Furthermore, at the time it was discovered that a Ras-like gene was involved there had been very extensive studies of these processes; as a consequence within a few years detailed gene pathways were