

Artesia Rotary Club, the New Mexico Gideons, the Artesia Quarterback Club and the Artesia Parents and Boosters Club. Mayor Thompson's wife of 55 years, Grace, has always lent her loving support for his many efforts and accomplishments on behalf of the citizens of Artesia. They have one son and two grandchildren.

I ask my colleagues today to take a special moment to recognize and thank Mayor Thompson for his 26 years of outstanding and distinguished service and congratulate him on a job well-done. Artesia will always fondly remember the accomplishments of the Mayor: Ernest Thompson.

THE SPEAKER'S TASK FORCE ON THE HONG KONG TRANSITION

HON. DOUG BEREUTER

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 3, 1998

Mr. BEREUTER. Mr. Speaker, the following is the second quarterly report of the Task Force on the Hong Kong Transition. It follows the first report dated October 1, 1997, and it was prepared and compiled by those Members of Congress (Representative DOUG BEREUTER, Representative ALCEE HASTINGS, and Representative DONALD MANZULLO) who traveled to Hong Kong, Macau, Shenzhen, and Beijing from December 13–20 as part of their responsibilities as Members of the Task Force. The report reflects the observations of the Task Force during the trip but also includes other information compiled before and after the trip up to December 31, 1997.

SUMMARY OF SECOND REPORT

In the first report of the Speaker's Task Force on the Hong Kong Transition, Hong Kong's reversion to China was characterized as "so far, so good." Six months after the official reversion that characterization still applies. However, nearly all observers agree it is "too early to tell" whether Hong Kong will be greatly affected by the transition and/or whether the United States' significant interests in Hong Kong will be adversely affected. From all perspectives both within and outside of Hong Kong, the very negative scenarios for Hong Kong, which many had predicted thus far, have not occurred. Undoubtedly, this is due in part to a determined effort by officials from the People's Republic of China (PRC) to respect Hong Kong's autonomy under the "one-country, two-systems" formula. Despite the fact that the fundamental underlying reasons for China's stance remain the same, there is no assurance that the outcome from those objectives will still prevail.

To date, the Hong Kong people seem to enjoy the same basic liberties and rights they enjoyed prior to the reversion. However, this is tempered by the abolition of the Legislative Council and its replacement by a provisional legislature which was "selected," but not elected, by the people of Hong Kong. Most observers agree that Hong Kong and Beijing officials responsible for implementing the "one-country, two-systems" framework are "on their best behavior." Yet, one overriding concern remains: Are Hong Kong officials subtly anticipating what Beijing desires and not in all instances vigorously pursuing the autonomy they have out of fear they will upset Beijing? At least with regard to routine matters, Hong Kong government officials seem quick to assert their own au-

tonomy. There also is some evidence that Hong Kong officials may be seeking to influence policies on the "mainland." But on more sensitive issues such as President Jiang's interaction with protesters, Hong Kong officials may be attempting to put on a good face for Beijing. If such attempts to "out royal the queen" are really occurring in Hong Kong, a subtle and seemingly invisible erosion of Hong Kong's autonomy could be happening without being fully discernible.

BEIJING: HONORING ITS COMMITMENTS

Chinese officials in Beijing and Hong Kong who are responsible for implementing the "one-country, two-systems" legal framework are clearly bending over backwards to demonstrate a policy of non-interference in the areas of Hong Kong's autonomy (every aspect of governance except, as specified, foreign affairs and defense). In meeting after meeting, officials of Hong Kong and China reiterated the "one-country, two-systems" framework and provided anecdotes of decisions with which Beijing or its representatives in Hong Kong were not involved—like Hong Kong's defense of its own currency during the monetary crisis. In one instance, a Chinese official recounted that he was informally approached by a Hong Kong official about an issue falling in the monetary policy arena. That official recounted declining to offer an opinion because it was in Hong Kong's own autonomy. Another example of deference occurred when PRC officials reportedly approached Hong Kong officials regarding South Africa's mission to Hong Kong (a matter all parties agree lies within Beijing's sole authority for foreign affairs).

One good test of the non-interference of PRC officials is Hong Kong's self-reporting under two key international covenants on human rights. When pressed on the issue, Ma Yuzhen, PRC Ministry of Foreign Affairs Commissioner, stated that his office intends to function only as a "conveyor belt" transferring the reports from Hong Kong to the United Nations in New York without suggested changes or even recommendations.

One example of Hong Kong's continued autonomy involves the decision to let British expatriates in the Hong Kong government join the official PRC delegation to such international organizations as the World Intellectual Property Organization. Moreover, Hong Kong officials demonstrated their autonomy at the last Working Group meeting in Geneva on China's accession to the World Trade Organization by submitting seventeen questions in China's new services offer.

But the question remains as to whether Hong Kong officials are altering their actions so as to please Beijing on certain matters. One Hong Kong journalist termed this practice the new "political correctness." This practice could greatly influence how the Hong Kong government handles the requirement in Article 23 of the Basic Law that it enact laws prohibiting acts of treason, secession, sedition, subversion against the Central Government, and theft of state secrets. However, while many people accuse Hong Kong officials of this "political correctness" toward Beijing, the only evidence of such actions occurring involves the Hong Kong government's alleged movement of protesters away from a site where President Jiang Zemin was to be during his visit to Hong Kong, the removal of Taiwan flags from a public bridge during that Taiwan's national day, and also an alleged informal request from the PRC for an opinion by a Hong Kong official on an international monetary policy issue.

Many other controversial issues are labeled by various government opposition groups as falling within this category of "political correctness" on the part of Hong Kong

officials, but it is often impossible to discern the motives behind the policy. For example, the Hong Kong government's decision to require more than three hundred schools to comply with a directive to use Cantonese as the medium of instruction in secondary schools (while allowing more than one hundred schools to continue to teach English) could either be a "practical" decision to improve understanding and instruction in the schools or a "patriotic" move.

Similarly, opposition politicians in Hong Kong have vigorously criticized the Hong Kong government for its handling of the Avian flu crisis, arguing that an embargo was not placed on birds from China for fear of angering Chinese officials. However, the Hong Kong government quickly consulted and cooperated with international health officials in an attempt to contain the flu. They also eventually and completely banned the importation of chickens from China, thereby placing significant economic hardship on local producers in China, and slaughtered and discarded all chickens in Hong Kong.

POLITICAL AND LEGISLATIVE ACTIVITY

One real caveat to the "so far, so good" characterization of the Hong Kong transition is the roll back of democratic reforms in Hong Kong. Though Chief Executive Tung Chee-hwa argues that the number of directly elected seats of the Legislative Council (Legco) will increase to thirty by the year 2004, he bluntly admits that democratic reform in Hong Kong is "not a priority at this moment." He says that he will do "what is right for Hong Kong" and that, he makes clear, is to let democracy mature slowly.

The Task Force's initial report characterized the changes in Hong Kong's elections laws as a "remaining concern." While it appears that all major political parties in Hong Kong are active in preparing for the May 1998 Legco elections, the number of votes cast will diminish because of changes to Hong Kong's Electoral Law which abolished mass-membership functional constituencies and restricted the numbers of Hong Kongers eligible to vote in the thirty functional seat contests. Unlike the September 1995 Legislative elections, when more than two million Hong Kongers had votes in functional constituencies in addition to their votes in the districts where they lived, in 1998 only 200,000 voters will be eligible to pick the 30 legislators representing functional constituencies. (News reports show registration of functional constituencies to be very low but it is difficult to determine whether general apathy or apathy created by electoral law changes have caused this low registration turnout.)

Moreover, while it is impossible to prove the motive for the election law changes, it is clear that the Democratic Party will lose representation in the newly constituted Legco because of the aforementioned changes and because of the additional election law changes requiring use of a "proportional representation" system to determine election winners. Martin Lee, Democratic Party Chairman, predicts that the representation of "Democratic Party and friends" will fall from twenty-six in the abolished legislature to fifteen in the newly elected legislature in May of 1998.

Most political observers in Hong Kong have welcomed the Provisional Legislature's adoption of a doctrine of "essentiality," i.e., only considering and approving legislation that is absolutely essential during its transition period until an elected legislature is put into place. However, it is unclear whether the Hong Kong government's decision to postpone consideration of a bill prohibiting acts of treason, secession, sedition, subversion against the Central Government, and

theft of state secrets means that the legislation will be more or less restrictive of the Hong Kong peoples' basic rights. Clearly, this issue will be one of the first important tests of the newly elected Hong Kong legislature and current government. Future benchmarks include the government's responsiveness to Hong Kong public opinion when formulating legislation (as it appeared to do in the formulation of the societies ordinance) and whether the Hong Kong government strictly enforces the legislation, once enacted.

HONG KONG'S CUSTOMS AUTONOMY: A PROMISING START BUT TOO EARLY TO JUDGE

Indicators suggest that Hong Kong is fully exercising its autonomy as a separate customs territory within China. Law enforcement cooperation between Hong Kong police and Customs and U.S. Customs remains "much the same" and, according to U.S. officials, there appears to be "no change in the working relationship." Nevertheless, it is "too early to judge" whether long-term U.S. trade, security, and law enforcement interests in Hong Kong ultimately will be affected by the transition.

To prevent smuggling through its port, Hong Kong Customs employs four hundred people but is only able to examine approximately 1300 of the 13.5 million containers per year which move throughout the entrepot territory. In addition, the border between Hong Kong and Shenzhen currently handles 14,000 vehicles per day, and that number is increasing daily. "Without good intelligence," U.S. officials say, Hong Kong custom's task in finding smuggling is like "looking for a needle in the haystack." American officials acknowledge, however, that their Hong Kong counterparts "do as good a job as anyone."

In November, the U.S. Foreign Commercial Service performed thirty post-shipment verifications on export licenses and found only one or two questionable situations. Moreover, those questions were resolved upon further inspection. A U.S. interagency team on export controls traveled to Hong Kong on January 12, 1998, as part of a bilateral cooperation agreement between Secretary of Commerce William Daley and Hong Kong Trade and Industry Secretary Denise Yue. The conclusions of that meeting were not available for this report. Hong Kong's customs service has demonstrated continued diligence and quick response on two potentially serious diversions from North Korea of unmilled tank barrels and rocket fuel. The customs service now has legislation to catch "middle men" in Hong Kong who facilitate diversions not actually involving the Hong Kong port. In this respect it is similar to the United States and a leader in the world.

One continuing complaint by U.S. law enforcement officials involves Hong Kong's *laissez faire* approach to money being personally carried in and out of Hong Kong. There is no reporting requirement for travelers doing this, and Hong Kong is therefore an ideal place for laundering money. Note: This situation existed in Hong Kong prior to the transition and therefore is not a resulting problem. Nevertheless, it would seem desirable for the U.S. Government to recommend that the Hong Kong government mirror U.S. reporting requirements in order to stem the flow of money laundering.

U.S. officials give Hong Kong Customs high marks for recent stepped-up efforts on textile transshipments, but lower marks for their enforcement of intellectual property rights violations. Hong Kong Customs claims difficulty in "going after the kingpins" and, instead, arrests the sellers at the retail level of pirated material. More blatantly, some well-known arcades certainly do rather open-

ly market pirated software and compact discs. Some Hong Kong officials complain that the reason that pirated products remain on sale in legitimate retail stores is that "there is no deterrent"—judges are too lenient. However, recent increases in jail terms along with expanded enforcement powers for Customs officers may have a positive effect in reducing piracy. Also, the government has introduced legislation that should help enable Customs to control illicit production.

ECONOMIC CONDITIONS IN HONG KONG

If one were only to examine the Heritage Foundation's annual Index of Economic Freedom or the American Chamber of Commerce in Hong Kong's annual confidence survey, one might wrongly conclude that Hong Kong's economic outlook remains unchanged from last year. However, regional economic woes beginning in the summer of 1997 have had a significant impact on Hong Kong.

Drawing on large international currency reserves and a strong determination to defend the HK\$-US\$ peg, Hong Kong was able to weather an initial attack on its currency caused by the financial turmoil throughout Asia. This led, however, to a sharp rise in interest rates as well as large drops in the stock and property markets. After rising to a new high in August, the stock market fell almost 40% during the last week of October. Since bottoming out in November of 1997, however, the Hang Seng index has battled back to levels recorded in April of 1997. (Information compiled after January 1, 1998) The real estate market is important to Hong Kong's economic viability and stability, and it certainly has an important effect on U.S. firms and citizens residing there. Residential property prices have been trimmed by 20%-30% in recent months.

Tourism in Hong Kong also has noticeably declined and it is difficult to predict how significantly the region-wide financial crisis will further affect this key industry. An additional issue of concern is the fact that the Peregrine Investment Corporation, Hong Kong's largest investment firm, declared bankruptcy on January 12, 1998. (Information compiled after January 1, 1998)

Despite recent difficulties, short-term confidence in the Hong Kong dollar seems strong, and policy makers express a continuing determination to defend the peg. (There are, however, a growing number of dissenters who maintain that Hong Kong will not be able to maintain the peg in the long term, principally because they predict China will eventually devalue the renminbi.) Hong Kong's banking sector and its regulatory regime are strong. Monetary figures show no sign of capital flight or panic. Hong Kong's foreign exchange reserves reached U.S. \$96.5 billion in November 1997.

MACAU

Macau will revert to China on December 20, 1999, and become yet another Special Administrative Region. Like the British, Portugal negotiated a Joint Declaration with the PRC government that establishes a "one-country, two systems" formula for Macau. Although there are many similarities between the imminent Macau reversion to China and that of Hong Kong, there are several key differences.

If for no reason other than size, Macau has only a modest effect upon U.S. vital interests. Macau buys only one percent of the total exports which the U.S. sends to Hong Kong, and it houses only 1% of the number of Americans as reside in Hong Kong. Nevertheless, there are legitimate U.S. concerns in the areas of drug smuggling and intellectual property rights violations. For example, it is believed that a considerable portion of the region's illicit compact disc and videotape

production lines may have moved to Macau. Estimates suggest that a hundred million or more illegal compact discs and movies per annum may now be produced in Macau. Exacerbating the illicit production problems in Macau are contradictory actions taken by the local courts concerning the government's seizure of equipment used in the illegal production lines.

Organized gang warfare is also a matter of legitimate concern. Early in 1997, Macau was featured in the news by reports about gang fighting or turf wars. Macau officials argue that the overall crime rate in Macau has been exaggerated by the sensational nature of the stories.

Macau's reversion to China presents several other key differences from Hong Kong's reversion to China. For example, Macau has a "through train" for its Legislative Assembly and therefore will not have to cope with the provisional legislature scenario currently existing in Hong Kong. This body currently has twenty-three assembly members of which two-thirds are elected. It also has an ambitious legislative agenda for 1998 that includes localization of the major Portuguese codes and human rights initiatives. Of concern is the fact that the Macau Legislative Assembly was unable in 1997 to pass several human rights initiatives. Other key issues for Macau which pose difficult transition issues include localization of the civil service and nationality issues. With the approval of the Speaker for an expanded area of responsibility because of Macau's relevance to the Hong Kong transition and its proximity, the Task Force would propose to similarly observe and report on the Macau transition.

ADDITIONAL NOTE

Although there have been many economic developments in Hong Kong after December 31, 1997, this report generally reflects those developments occurring before that date. There are limited exceptions where the report comments on events occurring after December 31, 1997, and they are indicated appropriately.

TRIBUTE TO GARY GIACOMINI

HON. LYNN C. WOOLSEY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 3, 1998

Ms. WOOLSEY. Mr. Speaker, I rise today to pay tribute to an outstanding individual, Mr. Gary Giacomini. Gary is being honored by the Citizens Foundation of Marin and the Marin Council of Agencies as the 1997 Citizen of the Year.

Marin County has a history of electing wonderful members to the Marin Board of Supervisors and Gary is a prime example. He fought hard for his constituents. In fact, he still is fighting for them. Gary truly loved his job. As a member of many county and state agencies, from the Marin County Transit District to the California Coastal Commission, Gary supported the issues that are important to the residents of Marin County.

I have had the pleasure to work with Gary on several Marin County issues. But where I've gotten to really know him is through the Pt. Reyes National Seashore. Shortly after I was elected to the House, Gary came to me with his vision to encourage agriculture by protecting lands east of the National Seashore from development. Based on Gary's vision, I introduced H.R. 1995, the Pt. Reyes National