

I thank Colonel Gritsavage on behalf of my district and on behalf of our nation for her wonderful service in her remarkable life.

IN HONOR OF MS. FEN LEWIS AND  
MS. LOIS KLAMAR FOR RECEIVING  
PRESIDENTIAL AWARDS

**HON. DENNIS J. KUCINICH**

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Monday, June 7, 1999*

Mr. KUCINICH. Mr. Speaker, I rise today to honor Ms. Fen Lewis of Strongville High School and Lois Klamar of Jamison CompuTech Center for receiving presidential teaching awards. Ms. Lewis and Ms. Klamar will receive their awards at a White House ceremony the week of June 7, 1999.

The Presidential Teaching Awards program recognizes a special group of elementary and secondary teachers for their commitment and dedication to nurturing student interest in science and mathematics. Ms. Lewis and Ms. Klamar are indeed very devoted teachers and are well deserving of these prestigious awards.

They have set an example for all teachers across the nation to follow. We need more teachers like Ms. Lewis and Ms. Klamar to help our kids strive for excellence in the classroom. The students of these two schools should be honored and proud to have these people as their teachers and role models. Both teachers are excellent representatives of their schools because of their considerable accomplishments with their students. These teachers have been presented with one of the highest honors in their field and should be given their rightful recognition.

My fellow colleagues, please join me in honoring both of these outstanding teachers on receiving presidential awards.

SIXTH REPORT OF THE SPEAKER'S  
TASK FORCE ON THE HONG  
KONG TRANSITION

**HON. DOUG BEREUTER**

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

*Monday, June 7, 1999*

Mr. BEREUTER. Mr. Speaker, this Member rises today to submit the Sixth Report of the Speaker's Task Force on the Hong Kong Transition. It has been almost two years since Hong Kong reverted to Chinese sovereignty on July 1, 1997. Prior to that historic event, at the request of Speaker Gingrich, this Member formed the House Task Force on Hong Kong's Transition. In addition to myself as Chairman, the bipartisan Task Force includes Representatives HOWARD BERMAN (D-CA), SHERROD BROWN (D-OH), ENI FALOMAVAEGA (D-AS), ALCEE HASTINGS (D-FL), DON MANZULLO (R-IL), and MATT SALMON (R-AZ).

To date, the Task Force has prepared six quarterly reports assessing how the reversion has affected Hong Kong. The sixth report, which I submit today, covers the period of October through March 31, 1999, during which

time this Member, as Task Force Chairman, visited Hong Kong in January 1999.

Mr. Speaker, this Member submits the following Task Force report for the RECORD.

THE SPEAKER'S TASK FORCE ON THE HONG  
KONG TRANSITION, SIXTH REPORT

This is the sixth report of the Task Force on the Hong Kong Transition. It follows the first report dated October 1, 1997, the second reported dated February 25, 1998, the third report dated May 22, 1998, the fourth report dated July 23, 1998, and the fifth report dated February 2, 1999. This report focuses on events and development relevant to United States interests in the Hong Kong Special Administrative Region (HKSAR) between October 1, 1998, and March 31, 1999, and incorporates findings drawn from the Task Force Chairman's visit to Hong Kong in January, 1999.

Hong Kong's ongoing economic recession marked the six months covered by this report as the consequences of the Asian Financial Crisis continued to be felt. Hong Kong's gross domestic product (GDP) declined by 5.1 percent in real terms in 1998, its first annual contraction on record. Unemployment and trade figures were correspondingly negative. Despite the difficulties, Hong Kong authorities operated independently in all areas of economic decision making, and there was no evidence of any attempt to intervene by Beijing. Opinion on the Hong Kong government's controversial August 1998 intervention in the currency, stock and futures markets turned increasingly positive as equities regained much of their lost value and the currency exchange rate held steady.

In the legal-political realm, Chinese officials' public expressions of unhappiness over a controversial decision by Hong Kong's Court of Final Appeal raised concern about the future independence of the Hong Kong judiciary. Discussions between Hong Kong and Beijing authorities, combined with a "clarification" issued by the court, appeared to have succeeded in settling the matter, at least temporarily, without serious damage to the "one country, two systems" concept. The practical consequences of the court decision, which could permit a large number of persons now in China to claim the right to reside in Hong Kong, had not yet been dealt with at the end of March. The Hong Kong Government's obvious displeasure with the ruling, combined with public fears of the consequences of renewed mass immigration, led to fears that the Government would seek Beijing's assistance in rolling back the decision in a manner that would undermine Hong Kong's judicial independence and the rule of law.

ECONOMIC DEVELOPMENTS

Hong Kong continued to suffer the negative effects of the Asian Financial Crisis, posting its fourth consecutive quarter of negative growth, as its first recession in thirteen years showed no sign of coming to a quick end. Preliminary estimates showed GDP dropped 5.7 percent in real terms in the fourth quarter of 1998 following a decline of 6.9 percent in the third quarter. For 1998 as a whole, Hong Kong's GDP fell by 5.1 percent, the first annual economic contraction in Hong Kong since such statistics have been calculated. Spending for private consumption continued to fall steeply, declining 9.3 percent in the fourth quarter of 1998, as consumer confidence remained affected by rising unemployment and stagnating personal income. Weak demand and dropping asset values brought about significant deflation, with consumer prices declining for four consecu-

tive months beginning in November. In February, the consumer price index dropped by 1.7 percent. Unemployment reached 6.2 percent in the first quarter of 1999, the highest level recorded in twenty-five years. An early economic turnaround continued to appear unlikely, with most analysts predicting an upturn no earlier than the last quarter of 1999. Many view the official Hong Kong government's forecast of 0.5 percent GDP growth in 1999 as too optimistic, with some private analysts predicting a decline of as much as 3 percent.

The government's budget for the 1999-2000 fiscal year that began April 1, 1999, projects a budget deficit of HK \$36.3 billion (US \$4.7 billion). This comes on top of an estimated deficit of HK \$32 billion (US \$4.1 billion) in fiscal year 1998-1999. The government anticipates running a deficit for the next two years before returning to a balanced budget in fiscal 2001-2002, but maintains this is a prudent and modest use of Hong Kong's sizable reserves during difficult economic times. While the general consensus among analysts is that a modest deficit is justifiable in view of the current recession, some have voiced concern about the impact three consecutive years in the red would have on Hong Kong's reputation for fiscal prudence. Some also attribute the fiscal deficit in part to Hong Kong's continued reliance on an excessively narrow, property-focused revenue base.

There was some positive economic news during the reporting period. The tourism market continued to cover, with January 1999 visitor arrivals up nearly 11 percent over the previous year. The liquidity crunch in the banking sector showed signs of easing, and interest rates began to move downward, although real interest rates remain high by historical standards. Improved international investor confidence helped the stock market to recover much of the ground it had lost since the onset of the financial crisis, and the Hang Seng index stood above 11,000 at the end of March. The renewed buoyancy in the equity markets turned the government's August 1998, market intervention into an extremely profitable venture, with shares acquired by the government appreciating by 20 percent or more. The real estate market also showed signs of bottoming out. The government announced it would resume land sales in April, ending the suspension it imposed in June 1998 to reduce downward pressure on property values. Hong Kong's hard currency reserves also remained substantial.

By the end of March, however, these encouraging signs had yet to translate into improvements in Hong Kong's real economy. Concerns remained about Hong Kong's continued dependence on entrepot trade and the relative lack of growth in sectors with high value-added, such as the high-tech industry. The government sought to address the latter problem by announcing an ambitious "Cyberport" project aimed at attracting world class information technology companies, but opinions varied as to the commercial viability of the proposal. An increasing percentage of Hong Kong's visitors for tourism are coming from China (27 percent in 1998 versus 22 percent the previous year and 19 percent in 1993). Chinese visitors are believed to spend substantially less than tourists from more affluent countries such as Japan and the U.S., whose numbers have stagnated or declined over the same period. In the short term, Hong Kong's exports (both domestic and transshipments) will probably remain depressed due to the weakened economies of some of its key trading partners and