to working with the senior community in my District and my colleagues in Congress on this important issue.

GIFTED AND TALENTED STUDENTS EDUCATION ACT OF 1999

HON. ELTON GALLEGLY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, February 9, 1999

Mr. GALLEGLY. Mr. Speaker, all Children deserve to be educated to their fullest potential. It is for this reason I am reintroducing my measure today from last Congress, the Gifted and Talented Students Education Act, along with my colleagues, Representatives BALDACCI, BARRETT (NE), ETHERIDGE, DAVIS (FL), ACKERMAN, SHOWS, and MORELLA.

Currently, the educational needs of our most talented students are not being met. Secretary of Education Richard Riley has even referred to this situation as a ''quiet crisis.'' As a result, these students are not reaching their full potential and not performing at world-class levels. This was clearly demonstrated by the disappointing results of Third International Math and Science Study (TIMSS) where our brightest students scored poorly and were not able to compete with their international counterparts. Our nation must foster excellence in these students who will become leaders in areas such as business, the arts, the sciences, and the legal and medical professions.

The Gifted and Talented Students Education Act would provide incentives, through block grants, to states to identify gifted and talented students from all economic, ethnic and racial backgrounds—including students of limited English proficiency and students with disabilities—and to provide the necessary programs and services to ensure these students receive the challenging education they need. Funding would be based on each state's student population, with each state receiving a minimum of $1 million per year.

I know you are as committed as I am to ensuring our nation's youth have all the tools they need for their future. I encourage all of my colleagues to join me in pursuing this legislation which will ensure our nation's gifted and talented students reach their fullest potential and to ensure we have a new generation of Americans ready to meet the demands of the 21st Century.

HONG KONG TRANSITION—REPORT OF THE SPEAKER'S TASK FORCE

HON. DOUG BEREUTER

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, February 9, 1999

Mr. BEREUTER. Mr. Speaker, this Member rises today to submit the Fifth Quarterly Report of the Speaker's Task Force on the Hong Kong Transition. It has been more than eighteen months since Hong Kong reverted to Chinese sovereignty on July 1, 1997. Prior to that historic event, and at the request of former Speaker Newt Gingrich, this Member formed the House Task Force on Hong Kong's Transition. In addition to myself as Chairman, the Task Force was bipartisanly balanced in its membership during the 105th Congress, 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).

The Task Force now has completed its Fifth Quarterly Report which assesses how the reversion has affected Hong Kong. The Fifth Report, which I submit today, covers the period of July through September 1998, during which there was no actual visit to Hong Kong by the Task Force. In the next several weeks the Sixth Quarterly Report will be completed and presented to Speaker DENNIS HASTERT and the House.

Mr. Speaker, this Member submits the Task Force Fifth Quarterly Report and asks that it be printed in full in the CONGRESSIONAL RECORD.

THE SPEAKER'S TASK FORCE ON THE HONG KONG TRANSITION, FIFTH REPORT, FEBRUARY 2, 1999

(Presented by the Honorable Doug Bereuter, Chairman)

The following is the fifth 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, the third report dated May 22, 1998, and the fourth report dated July 23, 1998. This report focuses on events and development relevant to United States interests in Hong Kong between July 1, 1998, and September 30, 1998—the fifth quarter following Hong Kong's reversion to China.

The fifth quarter following Hong Kong's reversion to Chinese sovereignty on July 1, 1997, has been dominated by increasing concern about Hong Kong's economic situation. The good news is that Hong Kong has continued to enjoy substantial political economic autonomy following its reversion to Chinese sovereignty. Hong Kong continues to voice its own views in international economic fora, including the World Trade Organization (WTO) and APEC. On the bad news side, however, Hong Kong's economy has been dragged down by external factors and its strong currency. The driving forces of the slowdown are largely beyond the Hong Kong government's control and are not related to Hong Kong's reversion to Chinese sovereignty.

ECONOMIC DEVELOPMENTS

Hong Kong continued to suffer the negative effects of the Asian Financial Crisis, posting its third consecutive quarter of negative growth, as its first recession in thirteen years showed no sign of coming to a quick end. An early turnaround continues to appear unlikely. Hong Kong's GDP is now projected to shrink by four percent in 1998. (Official figures for the second quarter of 1998 show a GDP drop of 5.2 percent, following the first quarter's decline of 2.8 percent.) This would be the first annual economic contraction on record. Some Hong Kong companies have cut wages by 10 percent. Compared to the same period in 1997, total retail sales from January 1998 to July 1998 decreased by 15 percent in value, reflecting shrinking local consumer demand, reduced tourism, and the fall in asset markets. Hong Kong's stock market has dropped by roughly 50 percent since its peak in august 1997, property prices have fallen by as much as 60 percent, and unemployment has soared to a fifteen year high of five percent.

The budget deficit for fiscal 1998–99 may substantially exceed the current estimate of HK $20 billion (US $2.56 billion), which the government announced in June. (The original government forecast for the fiscal year projected 3.5 percent growth and a budget surplus of about HK $10 billion.) The budget deficit can be expected to retard growth in government expenditures over the next few years. Although the government had been promising a revised medium-range economic forecast since mid-August, it failed to produce one by the end of the quarter, indicating to some an unwillingness on the part of the government to face up to the full consequences of the recession on public spending. The government continues to insist that the currency peg to the U.S. dollar is here to stay, despite serious attacks by speculators. Defending the peg has required the government to keep interest rates high, further depressing economic growth, and was a major motivation for the government's decision to intervene in the stock market in August (see below).

The stock market's Hang Seng Index at one point fell to 6660, 44 percent below its highwater mark for 1998 on March 25. The market remained concerned about Japan's economy, China's commitment to maintaining the value of the *renminbi*, and regional economic woes. On August 14, the government intervened massively in the stock market, spending an estimated US $15 billion (representing over 15 percent of Hong Kong's US $96 billion reserves) to buy stocks, futures, and currency in an effort to keep share prices at levels that would punish speculators betting on a decline. The government later imposed more stringent trading regulations to make illegal trading and speculation more difficult. Even with the government's massive intervention, the market ended September at 7,883 points, down 48 percent since September 1997. Trading volume also plummeted, with the average daily turnover for the first nine months of 1998 standing at just 40 percent of the corresponding figure for 1997. In terms of value, average daily turnover fell 56 percent.

In defending their decision to intervene, senior Hong Kong officials cited fears that unnamed ''foreign traders'' were improperly manipulating Hong Kong's markets. They maintained it was not their intention to interfere with market forces, only to improve Hong Kong's ability to manage its monetary affairs. The government said the measures were necessary to counter harmful speculative activities and to stabilize interest rates. Some observers have expressed concern that the intervention could mark the beginning of a turn away from the global market. While this seems unlikely given Hong Kong's overwhelming dependence on foreign trade, the August market intervention does pose some worrisome questions. The Hong Kong government's unprecedented ownership of significant amounts of equity, both in Hong Kong-based companies and in PRC-related ''Red Chips,'' has the potential to begin to affect official decision making in ways contrary to Hong Kong's traditions of free markets and transparency.

There is some positive economic news. Inflation is low and falling, with the year-on-year rate of increase in the composite consumer price index standing at 2.7 percent in August, down appreciably from 3.2 percent in July. The August figure was also the lowest monthly figure recorded since Hong Kong began tracking the year-on-year inflation rate in 1981. For the first time in a year, the unemployment rate did not increase in September, holding at the same five percent it reached in August. The tourism market recovered slightly in September, with tourist arrivals and hotel occupancy rates showing small increases over August figures. Hong Kong also still possesses substantial foreign currency reserves, even after the costly market intervention in August. The slump has