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TELEGRAM NUMBER 771 OF 7 JUNE
INFO HONG KONG GOVERNMENT OFFICE LONDON, PEKING

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FUTURE OF HONG KONG : PRESS COVERAGE

ZHAO ZIYANG'S STATEMENT IN HIS REPORT ON THE WORK OF THE GOVERNMENT TO THE NPC THAT CHINA WOULD "RECOVER SOVEREIGNTY OVER HONG KONG AT THE OPPORTUNE TIME AND TAKE APPROPRIATE MEASURES TO MAINTAIN ITS PROSPERITY", IS GIVEN WIDE COVERAGE IN TODAY'S PRESS. MOST PAPERS DRAWING ON A CHINA NEWS SERVICE (CNS) DESPATCH NOTED THAT THIS WAS THE FIRST TIME THAT THE SUBJECT OF RECOVERING SOVEREIGNTY HAD BEEN RAISED IN CHINA'S MOST AUTHORITATIVE FORUM. AN EDITORIAL IN THE COMMUNIST WEN WU PO STATED THAT IT WAS CHINA'S UNEQUIVOCAL POLICY TO REGAIN SOVEREIGNTY WHILST MAINTAINING PROSPERITY. THE QUESTION NOW WAS HOW TO RECOVER AND ADMINISTER HONG KONG WITHOUT CAUSING EXCESSIVE DISRUPTION SO THAT PROSPERITY COULD CONTINUE.

2. REFERRING TO ZHAO'S STATEMENT THAT SOVEREIGNTY WOULD BE RECOVERED WHEN THE MOMENT WAS "OPPORTUNE", BOTH THE FINANCIAL DAILY AND WAH KIU YAT PO BELIEVED THAT THE MOMENT HAD NOT YET ARRIVED AND THAT ZHAO'S STATEMENT CONTAINED NOTHING NEW. HOWEVER, THESE PAPERS NOTED THE OMISSION OF A REFERENCE TO THE MAINTENANCE OF "STABILITY" WHICH THEY INFERRED WAS AN INDICATION THAT CHINA MIGHT RECOVER HONG KONG WITHOUT TAKING INTO ACCOUNT ITS CONTINUED STABILITY.

3. THE CONTINUED PRESSURE ON THE HONG KONG DOLLAR EXCHANGE RATE AGAINST THE U.S. CURRENCY HAS STIMULATED FURTHER EDITORIAL AND OTHER PRESS COMMENT. AN EDITORIAL IN THE INDEPENDENT MING PAO REFUTED THE ARGUMENT THAT THE HONG KONG DOLLAR'S DECLINE WAS DUE LARGELY TO THE LOCAL ECONOMIC RECESSION AND THE STRENGTH OF THE U.S. CURRENCY. IT TOOK THE VIEW THAT HONG KONG'S UNCERTAIN POLITICAL FUTURE WAS THE MAIN CAUSE, AND THAT PEKING'S FREQUENT PRONOUNCEMENTS ON THE FUTURE DID LITTLE TO DISPEL RESIDENTS GLOOM SINCE THE CHINESE PROPOSALS DID NOT MEET THEIR WISHES.

4. ECONOMIC THEMES HAVE BEEN FURTHER COVERED BY THE HONG KONG JOURNALISTS PRESENTLY IN SHANGHAI (WEBB'S TELELETTER OF 6 JUNE TO MORRIS). TODAY'S REPORTS COVERED AN INTERVIEW GIVEN TO THEM BY THE MAYOR OF SHANGHAI, WANG DAOHAN. WANG STRESSED THE COMPLEMENTARY NATURE OF HONG KONG'S AND SHANGHAI'S ECONOMIES AND SAID THAT BOTH CITIES SHOULD BEGIN NOW TO STUDY THEIR RELATIONSHIP AFTER 1997 WHEN CHINA WOULD HAVE REGAINED SOVEREIGNTY OVER HONG KONG. HE UNDERSTOOD THAT SOME BUSINESSMEN WERE WORRIED ABOUT THE

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TERRITORIES' FUTURE BUT ACCORDING TO THE HONG KONG STANDARD SOUGHT TO REASSURE THEM THAT 'AS A SPECIAL ADMINISTRATIVE REGION, THE PLACE WOULD HAVE ITS MARKET ECONOMY REMAINING UNCHANGED EVEN IF IT IS TO BECOME A LINK IN THE CHINESE ECONOMY'.

5. ALTHOUGH THERE HAS BEEN LITTLE FOLLOW-UP OF THE RECENT 'WRITTEN RESPONSE' TO THE JOURNALISTS QUESTIONS (MY TELNO 258) A FEW NEWSPAPERS (WEN WI PO AND WAH KIU YAT PO) HAVE ECHOED A CALL FOR 'MUTUAL UNDERSTANDING OF COMMON OBJECTIVES' BY CHINA AND THE UK. THE QUOTE CAME FROM A CNS COMMENTARY ON 3 JUNE WHICH CALLED FOR CLOSER COOPERATION BETWEEN BRITAIN AND CHINA IN THE FIELDS OF INVESTMENT AND TECHNOLOGY TRANSFER. THE COMMENTARY REFERRED TO FRIENDLY EXCHANGES BETWEEN THE TWO COUNTRIES AND CITED VISITS BY THE ROYAL BALLET AND WATFORD FOOTBALL TEAM AS WELL AS THE AWARD OF THE FIRST OIL EXPLORATION CONTRACT TO A CONSORTIUM HEADED BY BRITISH PETROLEUM.

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(REPEATED AS REQUESTED)

FUTURE OF HONG KONG

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