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FM HONG KONG 080635Z JUN 83

TO ROUTINE FCO

TELEGRAM NUMBER 775 OF 8 JUNE

AND TO ROUTINE PEKING

INFO ROUTINE HONG KONG GOVERNMENT OFFICE LONDON

A.S.C. $\frac{10}{6}$
F.A.

FUTURE OF HONG KONG: PRESS COVERAGE.

THE CONTINUED DECLINE OF THE HONG KONG DOLLAR TODAY ATTRACTED PROMINENT COVERAGE IN MOST PAPERS.

2. A CONTRIBUTOR TO THE COMMUNIST WEN WEI PO WARNED THE HONG KONG AND BRITISH GOVERNMENTS AGAINST SPREADING RUMOURS OF A 'CRISIS OF CONFIDENCE' TO EXPLAIN THE SLIDE OF THE HONG KONG DOLLAR. SUCH RUMOURS WOULD ONLY UNDERMINE HONG KONG'S PROSPERITY AND STABILITY. THE CONTRIBUTOR ARGUED THAT THE CHINESE GOVERNMENT HAD ALREADY ALLAYED LOCAL RESIDENTS' WORRIES ABOUT THE FUTURE BY REPEATING ASSURANCES ON THE TERRITORY'S PROSPERITY AND STABILITY AND BY ANNOUNCING SPECIFIC MEASURES. FOR EXAMPLE, PEKING HAD ANNOUNCED ITS PLANS TO INVEST IN-LOCAL INDUSTRY. BY CONTRAST, THE BRITISH AND HONG KONG GOVERNMENTS HAD FAILED TO DO ANYTHING. THE GOVERNMENT HAD REFUSED TO WAIVE THE WITHHOLDING TAX ON HONG KONG DOLLAR DEPOSITS AND THERE HAD BEEN MASSIVE SALES OF THE LOCAL CURRENCY FOR STERLING ON THE LONDON MARKET. THE LEFT-INCLINED TIN TIN DAILY NEWS SIMILARLY HELD THAT THE FALL IN THE HONG KONG DOLLAR HAD NOTHING TO DO WITH A CRISIS OF CONFIDENCE. THE HONG KONG GOVERNMENT WOULD BE ABLE TO TURN THE TIDE PROVIDED IT MADE EFFORTS TO CURB GALLOPING INFLATION.

3. TWO INDEPENDENT NEWSPAPERS, THE FINANCIAL DAILY AND THE EXPRESS ARGUED THAT THE CHINESE, BRITISH AND HONG KONG GOVERNMENTS ALL HAD A RESPONSIBILITY TO TAKE DETERMINED AND SINCERE ACTION TO HALT THE DOLLAR'S DECLINE. THE EXPRESS TOOK THE CHINESE GOVERNMENT TO TASK FOR PURCHASING LARGE QUANTITIES OF US CURRENCY, THEREBY INCREASING THE PRESSURE ON THE LOCAL UNIT.

4. THE HONG KONG DAILY NEWS (INDEPENDENT RIGHT WING) CARRIED AN EDITORIAL WHICH ARGUED THAT THE LOCAL CURRENCY HIT RECORD LOWS EVERY TIME PEKING SPOKE OF RECOVERING SOVEREIGNTY OVER HONG

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KONG. IT SAID THAT UNCERTAINTY OVER THE FUTURE AND SPECULATION WERE THE MAJOR FACTORS CONTRIBUTING TO THE DECLINE OF THE HONG KONG DOLLAR. THE EDITORIAL CALLED FOR (UNSPECIFIED) CONCRETE ACTION BY THE CHINESE AND BRITISH GOVERNMENTS.

5. THE PRO-KMT, KUNG SHEUNG DAILY NEWS WARNED THAT CHINA WOULD SUFFER GREAT LOSSES THROUGH THE SUSTAINED WEAKNESS OF THE HONG KONG DOLLAR. THE PAPER HELD THAT PEKING SHOULD TAKE ACTION TO STABILISE THE LOCAL UNIT.

YOUDE

THIS TELEGRAM
WAS NOT
ADVANCED

FUTURE OF HONG KONG

LIMITED

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HD/FED
HD/PLANNING STAFF
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