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FM HONG KONG 241145Z SEP 83

TO IMMEDIATE BRUSSELS

TELEGRAM NUMBER 18 OF 24 SEPTEMBER

INFO IMMEDIATE GENEVA WASHINGTON NEW YORK FCO HONG KONG GOVERNMENT
OFFICE LONDON

FOR HONG KONG GOVERNMENT REPRESENTATIVES GUIDANCE TELEGRAM 34/83

THE FUTURE

THE FOLLOWING JOINT STATEMENT WAS ISSUED AT 3 P.M. PEKING TIME ON
23 SEPTEMBERQUOTE THE BRITISH AND CHINESE SIDES HELD FURTHER TALKS ON THE
QUESTION OF HONG KONG ON 22 AND 23 SEPTEMBER AND THE FIFTH ROUND
WILL BE HELD IN BEIJING ON 19 AND 20 OCTOBER UNQUOTE.

2. YOU WILL BE AWARE THAT MARKET AND PUBLIC SENTIMENT HAS REACTED
NERVOUSLY TO RECENT UNITED FRONT PROPOGANDA BY CHINA, STATEMENTS
BY CHINESE LEADERS AND THE ABSENCE OF ANY APPARENT SIGN OF PROGRESS
IN THE RECENT ROUND OF TALKS. IN THE PAST WEEK THE HK DOLLARS/US
DOLLAR EXCHANGE RATE HAS DEPRECIATED FROM 7.87 TO 9.4. IN
YESTERDAY'S TRADING THE HANG SENG INDEX DROPPED 63 POINTS TO
CLOSE AT 786.

LINE TO TAKE

3. YOU SHOULD SUGGEST THAT THE MARKETS HAVE OVER REACTED. THE
IMPORTANT THING IS THAT THE TALKS ARE CONTINUING. THE COMMON AIM
OF THE BRITISH AND CHINESE GOVERNMENTS IS TO MAINTAIN THE
STABILITY AND PROSPERITY OF HONG KONG. THERE ARE NO RATIONAL
GROUNDS FOR SENTIMENT TO FALL AWAY SO SHARPLY DAY BY DAY,
GIVEN THE TIME SCALE FOR THE TALKS WHICH INEVITABLY, BECAUSE OF
THE COMPLEX ISSUES INVOLVED, ARE BOUND TO STRETCH OVER A LENGTHY
PERIOD.

4. YOU MAY ALSO CARE TO DRAW ON THE FOLLOWING REMARKS BY THE PRIME
MINISTER IN RESPONSE TO JOURNALISTS IN LONDON YESTERDAY.

"WELL THE NEGOTIATIONS ARE CONFIDENTIAL BUT IT'S NOT
DIFFICULT TO SEE WHAT THE PROBLEM IS. THE LEASE OF OVER 90 PER CENT
OF THE TERRITORY COMES TO AN END IN 1997. OBVIOUSLY SOME LOANS ARE
NOW BEING TAKEN OUT OR WOULD LIKE TO BE TAKEN OUT, FOR A PERIOD GOING
BEYOND 1997, AND THERE IS THEREFORE A GREAT FINANCIAL UNCERTAINTY AND
A GREAT POLITICAL UNCERTAINTY ABOUT THE FUTURE OF HONG KONG AND
IT'S THAT I THINK WHICH IS CAUSING THE DROP IN THE HONG KONG
DOLLAR AND ALSO OF COURSE THE DROP IN THE HONG KONG STOCK EXCHANGE, I
CANNOT SAY MORE ABOUT THE NEGOTIATIONS, THEY ARE TAKING PLACE. THEY
TAKE PLACE AGAINST A BACKGROUND WHERE BOTH CHINA AND WE WISH TO MAKE
ARRANGEMENTS TO ENSURE AND SECURE THE STABILITY AND PROSPERITY OF
HONG KONG. AFTER ALL UNDER THE PRESENT ARRANGEMENTS WHICH CONSISTS OF

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/MORE.

H-K: Future

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MORE THAN FOUR MILLION CHINESE PEOPLE LIVING IN HONG KONG UNDER THE PRESENT SYSTEM, THE BRITISH SYSTEM, YOU'VE GOT THIS CHINESE CHARACTER AND THE BRITISH SYSTEM, WHICH REALLY HAVE ACHIEVED REMARKABLE PROSPERITY AND STABILITY FOR ALL THOSE PEOPLE THERE. WE ENTERED THESE NEGOTIATIONS BELIEVING IT IS POSSIBLE TO FIND A WAY FOR THAT STABILITY AND PROSPERITY TO CONTINUE, TO THE BENEFIT MAINLY OF THE PEOPLE OF HONG KONG BRITAIN DOESN'T TAKE A PENNY PIECE OUT OF HONG KONG, WE'RE ONLY TOO RELIEVED THAT WE DON'T HAVE TO PUT MONEY IN, AS YOU DO FREQUENTLY WITH TERRITORIES WHICH ARE NOT FULLY INDEPENDENT. BUT FOR THE PARTICULAR SITUATION OF HONG KONG AND THE LEASES, BUT FOR THAT, HAD IT BEEN AN ORDINARY BRITISH COLONY, SHE WOULD HAVE BEEN INDEPENDENT YEARS AGO. SHE WOULD HAVE BEEN ANOTHER SINGAPORE. WE SHOULDN'T HAVE HUNG ON IN ANY WAY BUT HONG KONG IS DIFFERENT IN THAT SHE IS ATTACHED TO CHINA AND THERE ARE THOSE LEASES AND THEREFORE THAT COURSE WAS NOT OPEN. BUT WE CAN'T BE ACCUSED OF COLONIALISM IN ANY WAY WHEN OTHER COUNTRIES IN A SIMILAR POSITION LIKE SINGAPORE HAVE BEEN INDEPENDENT FOR YEARS AND HAVE DONE MARVELLOUSLY WELL, BECAUSE THE CHINESE, UNDER THE SYSTEMS WHICH WERE STARTED BY BRITAIN, ARE VERY VERY TALENTED, VERY VERY ABLE AND HAVE BUILT UP VERY CONSIDERABLE PROSPERITY.''

YOUDE

FUTURE OF HONG KONG

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MR WALKER RESEARCH D OAB 2/82

HK90. LONDON

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