

00 OTTAWA

GR 820

RESTRICTED

FM HONG KONG 260115Z SEP 83

TO IMMEDIATE OTTAWA (FOR PRIME MINISTER'S PARTY)

TELEGRAM NUMBER 10 OF 26 SEPTEMBER

AND TO IMMEDIATE UKMIS NEW YORK (FOR SECRETARY OF STATE'S PARTY)

**IN
ACTION COPY**

FOLLOWING TELEGRAM IS NOW REPEATED TO YOU AT REQUEST OF
ORIGINATOR:-

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DESKBY 241230Z

FM HONG KONG 241130Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1402 OF 24 SEPTEMBER

INFO IMMEDIATE HONG KONG GOVERNMENT OFFICE LONDON, PEKING

INFO PRIORITY HK GOVT REPS WASHINGTON, CG NEW YORK, UKMIS GENEVA,
BRUSSELS

A.S.C. 27/4

THE FUTURE: PRESS COVERAGE.

**THE COMMUNIST PRESS HAS CONTINUED ITS UNRELENTING BARRAGE OF
PROPAGANDA. WITHIN AN HOUR OF THE RELEASE OF THE JOINT STATEMENT
ANNOUNCING THE NEXT ROUND OF TALKS, THE NCNA ISSUED A STATEMENT
ATTACKING THE NOTION THAT BRITISH ADMINISTRATION IS INDISPENSABLE
TO THE FUTURE OF HONG KONG. THE PROSPERITY OF HONG KONG HAS BEEN
ACHIEVED MAINLY AS THE RESULT OF THE DILIGENCE, WISDOM AND
METICULOUS MANAGEMENT OF THE FIVE MILLION HONG KONG RESIDENTS
OF WHOM OVER 98 PERCENT ARE CHINESE COMPATRIOTS. ANOTHER
IMPORTANT FACTOR HAS BEEN THE VIGOROUS SUPPORT BY THE CHINESE
MAINLAND.**

2. THE LEFT WING WEN WEI PO AND TA KUNG PAO QUOTED A NUMBER OF INDEPENDENT OBSERVERS AS CALLING ON THE GOVERNMENT TO TAKE POSITIVE ACTION TO SALVAGE THE DOLLAR AND CURB ANY SUBSEQUENT PRICE RISES. TOGETHER WITH THE NEW EVENING POST THEY COMMENTED THAT THE SLIDE OF THE DOLLAR WAS ATTRIBUTABLE TO GOVERNMENT INACTION, ULTERIOR MOTIVES ON THE BRITISH SIDE AND MOVEMENT TO CONDONE SPECULATORS IN THE FOREIGN EXCHANGE MARKET. THERE WERE ALSO SUGGESTIONS THAT THE HK GOVERNMENT'S 'FRANTIC TAX AND CHARGE INCREASES', AND HIGH INFLATION AND LAND PRICE POLICIES WERE TO BLAME AND WARNINGS THAT THE GOVERNMENT SHOULD NOT PLAY WITH FIRE. THE INDEPENDENT HONG KONG ECONOMIC JOURNAL SUGGESTED THAT THE GOVERNMENT SHOULD SEEK FOREIGN LOANS TO PROP UP THE DOLLAR AND CALLED ON LEFT WING PAPERS IN PEKING AND HONG KONG TO CEASE THEIR ATTACK ON GOVERNMENT. THE FINANCIAL DAILY SUGGESTED THAT THE CONFIDENCE CRISIS WAS NOW CLOSE TO THE POINT OF NO RETURN. THE HONG KONG DAILY NEWS AND MING PAO SAID THAT THE DOLLAR CRISIS WAS DUE TO PEKING'S FAILURE TO UNDERSTAND THE IMPORTANCE OF THE STATUS QUO. MING PAO ADDED THAT THE HONG KONG ECONOMY WAS FUNDAMENTALLY VERY SOUND, GOVERNMENT ACCOUNTS WERE IN GOOD ORDER AND THE RESERVES WERE HEALTHY. UNLESS THE CONCERNED PARTIES WISHED TO DESTROY THE DOLLAR, THERE WERE NO REASONS WHY IT SHOULD COLLAPSE. A REPORT FILED BY SING PAO'S REPORTER IN PEKING QUOTED MR LU PING, A CHINESE DELEGATE TO THE TALKS, AS SAYING THAT HE WAS EXTREMELY SURPRISED BY THE HONG KONG DOLLAR'S NOSEDIVE AND THAT THIS WAS IMPOSSIBLE.

3. THE PRIME MINISTER'S REMARKS TO JOURNALISTS YESTERDAY WAS WIDELY REPORTED. TA KUNG PAO HEADLINED THE REPORT AND REMARKED THAT SHE WAS MERELY DEFENDING COLONIALISM.

4. IN COMMENTING ON THE STATEMENT ISSUED AT THE CONCLUSION OF THE TALKS, SOME PAPERS DETECTED CRUMBS OF COMFORT. THE ENGLISH LANGUAGE SCMP SAID THAT THERE HAD BEEN DEFINITE SIGNS OF PROGRESS AND QUOTED SOURCES WHO DISMISSED SUGGESTIONS OF INSOLUBLE OBSTACLES. SING TAO JIK PAO SUGGESTED THAT THE PESSIMISTIC ATMOSPHERE WAS QUITE NORMAL AT THIS STAGE OF INTERNATIONAL NEGOTIATIONS AND WAS COMFORTED THAT A DATE HAD BEEN SET FOR THE NEXT MEETING. HOWEVER THE PRO LEFT TIN TIN DAILY NEWS SUGGESTED THAT THERE HAD BEEN NO PROGRESS IN THE TALKS BECAUSE THE TWO SIDES WERE REFUSING TO BUDGE WHILE BLAMING EACH OTHER FOR THE DECLINE OF THE DOLLAR.

5. ALL PAPERS REPORTED A SPEECH BY SIR S.Y. CHUNG TO THE COMMONWEALTH LAW CONFERENCE IN WHICH HE CALLED FOR 'SOME KIND OF ASSURANCE OR GUARANTEE THAT A CAPITALIST SYSTEM CAN SURVIVE WITHIN A COMMUNIST SYSTEM'. SPEAKING TO REPORTERS AFTER HIS ADDRESS SIR S.Y. ATTACKED THE CHINESE FOR NOT KEEPING TO THEIR AGREEMENT TO MAINTAIN THE CONFIDENTIALITY OF THE TALKS. SOME PAPERS ALSO QUOTED A SPEECH BY THE FORMER ATTORNEY GENERAL, MR JOHN GRIFFITHS WHO STRESSED THE NEED FOR A BUFFER BETWEEN CAPITALIST HONG KONG AND COMMUNIST CHINA.

6. THE ERSTWHILE INDEPENDENT ENGLISH LANGUAGE STANDARD CARRIED AN EDITORIAL SUGGESTING THAT IN THE TRUE TRADITIONS OF LIONHEARTEDNESS, THE BRITISH WERE DETERMINED TO GO DOWN WITH THE FLAG FLYING NO MATTER THE PAIN TO HONG KONG. THE PAPER WARNED THAT CHINA MAY BE FORCED TO THE KIND OF ACTION WHICH MORAL PRUDENCE WOULD ADVISE AGAINST. THIS WOULD LEAD TO CHAOS IN HONG KONG AND IRREPERABLE DAMAGE TO SINO-BRITISH RELATIONS. COMMENT ELSEWHERE IN THE SAME EDITION REFLECTED THE INCREASINGLY PRO PEKING SENTIMENT OF THE PAPER.

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