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GRS 550

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DESKBY 231330Z

FM HONG KONG 231130Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1102 OF 23 APRIL

INFO IMMEDIATE SEOUL (FOR PS/SOFS) DESKBY 231300Z

AND PEKING DESKBY 240100Z

FUTURE OF HONG KONG: SECRETARY OF STATE'S STATEMENT AND PRESS CONFERENCE:

THE SECRETARY OF STATE'S STATEMENT ON THE FUTURE HAS TAKEN HONG KONG THROUGH A DIFFICULT AND SENSITIVE STAGE. THE MESSAGE WHICH IT HAD TO CONVEY - THAT BRITISH ADMINISTRATION MUST END IN 1997 - WAS A HIGHLY UNPALATABLE ONE. WHATEVER THE ASSURANCES THE UK MIGHT BE SEEKING THE FUTURE STATUS HE HAD TO OUTLINE FOR HONG KONG IS ONE WHICH CAUSES DEEP CONCERN AND ANXIETY HERE. OUR SOUNDINGS OVER THE WEEKEND INDICATE GENERAL RECOGNITION THAT BY WELL-JUDGED CONTENT AND CAREFUL AND SERIOUS PRESENTATION THE MESSAGE WAS VERY EFFECTIVELY CONVEYED. IT IS WITH SOME RELIEF THAT I CAN RECORD THAT IT HAS BEEN RECEIVED MORE CALMLY THAN MIGHT HAVE BEEN EXPECTED.

2. SOME HAVE REGARDED THE CONTENT AS LITTLE MORE THAN CONFIRMATION OF WHAT WAS ALREADY KNOWN. OTHERS HAVE SEEN IN IT IMPORTANT DISCLOSURES AND HAVE RECOGNISED THE IMPORTANCE OF THE FACT THAT WHAT WAS SURMISE BEFORE HAS NOW BEEN STATED AUTHORITATIVELY AT SENIOR MINISTERIAL LEVEL. EVEN THOUGH THE MESSAGE IS SO UNPALATABLE THE LIFTING OF THE VEIL HAS BEEN WELCOMED.

3. IT WILL NOT BE POSSIBLE TO JUDGE THE EFFECTS IN THE FINANCIAL MARKETS AND ON THE SHARE INDEX UNTIL THE END OF THE WEEK. THERE COULD WELL BE A DROP WHEN THE MARKETS OPEN TOMORROW. WHETHER, AS SOME ARE PREDICTING, ANY FALLS WILL SOON BE REVERSED REMAINS TO BE SEEN.

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4. BUT EVEN THOUGH, ON FIRST INDICATIONS, THE PURPOSE OF THE UNVEILING HAS BEEN WELL ACHIEVED, THERE IS NO DOUBT ABOUT THE CONTINUING UNPALATABILITY OF THE MESSAGE. THE DEEP DISTRUST OF THE COMMUNISTS, AND LACK OF FAITH IN THEIR PROMISES, REMAINS. SOME, WHO HAVE TO STAY ANYWAY ARE SHOWING READINESS TO ACCEPT THAT THEY WILL HAVE TO DO THEIR BEST TO MAKE ANY NEW ARRANGEMENTS WORK. OTHERS WHO CAN LEAVE ARE NOW RESIGNED TO HAVING TO LOOK MORE ACTIVELY FOR WAYS OF DOING SO. THEY ARE PROFESSIONALS AND BUSINESSMEN WHOM HONG KONG CAN ILL-AFFORD TO LOSE.

5. THE AUTHORITATIVE STATEMENT THAT THERE IS NOW A TERM TO BRITISH ADMINISTRATION IS ALREADY FOCUSING ATTENTION MORE SHARPLY ON THE MEANING OF HMG'S COMMITMENT TO HONG KONG IN CONNEXION WITH A NUMBER OF HIGHLY SENSITIVE AND EMOTIVE ISSUES, SUCH AS NATIONALITY AND THE RIGHT OF SETTLEMENT IN THE U.K., ASSURANCES TO THE PUBLIC SERVICE AND THE POLICE ETC. IT HAS ALREADY BEEN NOTED THAT THE SECRETARY OF STATE HAD NOTHING TO SAY ON THESE ISSUES.

6. THIS ASSESSMENT IS BASED ON FIRST REACTIONS OVER THE WEEKEND. I WILL SEND A FURTHER ASSESSMENT DURING THE WEEK.

YOUDE

## FUTURE OF HONG KONG

LIMITED

ED/HKD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

RES.B. (MR WALKER)

LEGAL ADVISER (MR FREBLAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/FUS

SIR J BULLARD

SIR W HARDING

MR WILSON

MR WRIGHT

SIR C TICKELL

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PS/CHANCELLOR OF THE EXCHEQUER

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## COPIES TO: (VIA ADR)

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