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FM HONG KONG 230850Z JUL 84
TO IMMEDIATE F C O
TELEGRAM NUMBER 2087 OF 23 JULY
INFO PRIORITY PEKING

FOR GALSWORTHY, HKD.

OUR TELNO. 1849 : FUTURE OF HONG KONG : FORTNIGHTLY REPORT ON
PUBLIC OPINION.

MR. LUCE'S VISIT AND THE ANNOUNCEMENT THAT THE SECRETARY OF STATE
IS TO COME HERE AGAIN, HAVE CAUSED MOUNTING SPECULATION THAT THE
TALKS IN PEKING HAVE REACHED A CRITICAL STAGE.

2. AS A RESULT OF CHINESE LEAKS, THE HONG KONG MEDIA HAVE FOCUSED
ON THE POSSIBLE ESTABLISHMENT OF A JOINT LIAISON GROUP IN HONG KONG
AS THE MAIN POINT CURRENTLY AT ISSUE. THE CHINESE HAVE PUT IT ABOUT
THAT PEKING IS DETERMINED ON SUCH A GROUP, BUT THAT HONG KONG HAS
NOTHING TO FEAR FROM IT. LI JUSHENG, A SENIOR NENA OFFICIAL IN
HONG KONG AND A MEMBER OF THE CHINESE NEGOTIATING TEAM, HAS SAID
PUBLICLY THAT A JOINT LIAISON OFFICE WOULD BE NECESSARY AFTER AN
AGREEMENT HAD BEEN SIGNED, BUT THAT IT WOULD NOT BE A WATCHDOG OR
MONITORING BODY. LI'S REMARKS SEEM TO HAVE REASSURED SOME SECTIONS
OF HONG KONG OPINION BUT THERE IS STILL STRONG DISTRUST OF CHINESE
INTENTIONS AMONG KEY GROUPS.

3. THE SOUTH CHINA MORNING POST HAS ARGUED CONSISTENTLY THAT THE
BRITISH SHOULD REJECT THE IDEA ON THE GROUNDS THAT ANY GROUP BASED
IN HONG KONG WOULD INTERFERE WITH THE GOVERNMENT. MANY INDEPENDENT
CHINESE LANGUAGE PAPERS HAVE, HOWEVER, CONCLUDED THAT A GROUP IN
HONG KONG IS INEVITABLE, AND URGE SIMPLY THAT ITS TERMS OF
REFERENCE SHOULD BE TIGHTLY DRAWN SO AS TO PREVENT IT INTERFERING
WITH GOVERNMENT POLICIES. DISTRICT OFFICERS REPORT THAT MOST PEOPLE
AT LOCAL LEVEL BELIEVE THAT A JOINT GROUP HERE WILL LEAD TO
CHINESE INTERFERENCE AND HOPE THAT THE BRITISH GOVERNMENT WILL REJECT
IT: BUT THAT SOME (MOSTLY YOUNGER PEOPLE) THINK A JOINT GROUP NEED
NOT INTERFERE WITH ADMINISTRATION.

4. THE COMMERCIAL ATMOSPHERE DURING THE PAST FORTNIGHT HAS BEEN
DOMINATED BY THE WEAKNESS OF THE HONG KONG DOLLAR, AND BY A
FLUCTUATING STOCK MARKET. THE DOLLAR HAS FACED ITS SEVEREST TEST
SINCE IT WAS PEGGED TO THE US DOLLAR LAST SEPTEMBER, AND REMAINS
UNDER SOME PRESSURE DESPITE A THREE AND A HALF PERCENT RISE IN
INTEREST RATES. WHILE THE STRENGTH OF THE US DOLLAR IS CLEARLY A
FACTOR IN THIS WEAKNESS, POLITICAL NERVOUSNESS IS ALSO RESPONSIBLE.

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OPINION AT LOCAL LEVEL

5. REPORTS FROM DISTRICT OFFICERS AND OTHER GOVERNMENT SOURCES INDICATE INCREASING NERVOUSNESS. WHILE COMPARATIVELY FEW CONTACTS CLAIMED TO BE PLANNING EMIGRATION THEMSELVES, EVERYBODY KNEW PEOPLE WHO WERE DOING SO. THERE ARE SIGNS THAT KMT SUPPORTERS AND LEFT-WINGERS ARE PREPARING FOR 1985 DISTRICT BOARD ELECTIONS AND THERE ARE NERVOUS PREDICTIONS OF INCREASING POLITICAL POLARISATION.

GREEN PAPER ON REPRESENTATIVE GOVERNMENT

6. FIRST REACTIONS WERE GENERALLY AS EXPECTED. IT HAS BEEN BROADLY WELCOMED BY UNOFFICIALS, PROFESSIONAL GROUPS AND BUSINESS ORGANISATIONS, BUT CRITICISED AS INADEQUATE AND OVER-CAUTIOUS BY PRESSURE-GROUP PERSONALITIES.

ASSESSMENT OF VIEWS ON SINO-BRITISH AGREEMENT.

7. THE SECRETARY OF STATE'S ANNOUNCEMENT THAT A SPECIAL OFFICE WOULD BE SET UP IN HONG KONG TO COLLATE AND ASSESS VIEWS ON A SINO-BRITISH AGREEMENT HAS NOT YET BEEN FULLY DIGESTED. INITIAL INTEREST AMONGST A FEW PRESSURE GROUPS HAS CENTRED ON THE DECISION NOT TO HAVE A REFERENDUM. SOME HAVE EXPRESSED UNDERSTANDING OF THE DECISION, OTHERS HAVE CRITICISED IT.

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