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FM HONG KONG 191030Z OCT 84

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TELEGRAM NUMBER 3266 OF 19 OCTOBER

INFO PRIORITY PEKING, HONG KONG GOVERNMENT OFFICE LONDON,
HONG KONG GOVERNMENT REPRESENTATIVES WASHINGTON, NEW YORK, BRUSSELS
AND GENEVA.

MY TELEGRAM NO. 3189 : FUTURE OF HONG KONG : REPORT ON PUBLIC
OPINION

DETAILS OF THE DRAFT AGREEMENT ARE STILL WIDELY DISCUSSED AND
DEBATED, THOUGH THE INITIAL INTENSITY HAS BEGUN TO WEAR OFF.
REACTIONS REMAIN GENERALLY FAVOURABLE, THOUGH VARIOUS AREAS OF
CONCERN CONTINUE TO BE THE SUBJECT OF COMMENT. GENERALLY SPEAKING
THERE ARE NO ADDITIONS TO THE MAIN LIST.

2. MAIN WORRIES ARE:

(A) NATIONALITY AND TRAVEL

THE EXCHANGE OF MEMORAND AND SECTION 14 OF THE ANNEX TO THE
JOINT DECLARATION CONTINUE TO CAUSE CONSIDERABLE CONCERN AND
CONFUSION. BDTC'S ARE UNCERTAIN WHAT KIND OF BRITISH PASSPORT
THEY WILL RECEIVE IN 1997, AND WHETHER IT WILL BE ACCEPTED
INTERNATIONALLY. NON-BDTC CHINESE WONDER WHAT, IF ANY, TRAVEL
DOCUMENTS THEY WILL RECEIVE IN 1997. THOSE WHO ARE NEITHER CHINESE
NOR PASSPORT-HOLDING EXPATRIATES ARE WORRIED THAT THEY OR THEIR
CHILDREN MAY BECOME STATELESS.

(B) BASIC LAW. WILL REPRESENTATIVE HONG KONG PEOPLE BE INVOLVED
IN DRAFTING IT AND WHAT WILL IT CONTAIN?

(C) WILL CONSCRIPTION BE INTRODUCED AFTER 1997?

(D) THE PLA. HOW LARGE A CONTINGENT WILL BE STATIONED IN HONG KONG?
TO WHOM WILL IT BE RESPONSIBLE AND WILL IT HAVE TO CONFORM TO SAR
LAW?

(E) HOW WILL THE CHIEF EXECUTIVE BE SELECTED? TO WHOM WILL BE
BE ACCOUNTABLE?

(F) LAND SALES WILL THE ARRANGEMENTS IN THE DRAFT AGREEMENT MEAN
LESS GOVERNMENT REVENUE? IT SO, WILL THE GOVERNMENT RAISE TAXES TO
COMPENSATE?

3. TWO FURTHER DISTRICT BOARDS HAVE GENERALLY ENDORSED THE DRAFT
AGREEMENT DURING THE PAST WEEK, MAKING A TOTAL OF ELEVEN IN ALL.
THE REMAINING SEVEN WILL HOLD DEBATES DURING THE NEXT WEEK OR SO.

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/4

4. THE LEGISLATIVE COUNCIL HAS ALSO DEBATED IT. TWO UNOFFICIAL MEMBERS WERE NOT PREPARED TO COMMEND IT TO THE PEOPLE OF HONG KONG. THE REMAINING 25 WERE PREPARED TO COMMEND IT, THOUGH A NUMBER EXPRESSED CONCERN ABOUT PARTICULAR ASPECTS, OR ASKED FOR FURTHER CLARIFICATION. THE OFFICIAL REPLIES COVERED THE GREAT MAJORITY OF THESE POINTS.

5. AN INDEPENDENT COMPANY, SURVEY RESEARCH HONG KONG LTD, HAS BEEN COMMISSIONED TO SURVEY THE REACTIONS TO THE DRAFT AGREEMENT OF THE 'SILENT MAJORITY'. IT PLANS TO QUESTION 6,000 PEOPLE BETWEEN NOW AND 3 NOVEMBER. THERE ARE EIGHT SPONSORS, CONTRIBUTING HK DOLLARS 50,000 EACH, INCLUDING EMELCO AND THE SOUTH CHINA MORNING POST.

THE PRIVATE SECTOR.

6. THE HONG KONG PRESS HAS REPORTED WITH SOME PROMINENCE:

(A) A MEETING IN PEKING BETWEEN THE CHAIRMAN OF JARDINE AND THE DIRECTOR OF THE HONG KONG AND MACAU AFFAIRS OFFICE (MR JI PENGFEI). MR. KESWICK WAS REPORTED TO HAVE SAID THAT JARDINE'S DECISION TO MOVE ITS HOLDING COMPANY TO BERMUDA HAD NOT BE INTENDED AS A PROVOCATION TO CHINA.

(B) A DENIAL BY THE CHAIRMAN OF THE HONG KONG AND SHANGHAI BANK (MR. MICHAEL SANDBERG) OF SPECULATION THAT THE FAST EXPANSION OF ITS HOLDINGS OVERSEAS IS DESIGNED TO PAVE THE WAY FOR ITS WITHDRAWAL FROM HONG KONG.

7. THE COMMISSIONER FOR BANKING HAS REPORTED THAT FOREIGN BANKERS ARE WELL SATISFIED WITH THE DRAFT AGREEMENT, BUT THAT LOCAL BANKERS ARE LESS POSITIVE, AND ARE KEEPING OPEN THE POSSIBILITY OF EMIGRATION.

PUBLIC SERVICE

8. REACTIONS CONTINUE TO BE GENERALLY FAVOURABLE ALTHOUGH THERE IS SOME PRESSURE FOR MORE TO BE DONE TO SAFEGUARD PENSIONS AND FOR STAFF TO BE ALLOWED TO RETIRE WITH THEIR BENEFITS BEFORE 1997. THERE IS ALSO CONCERN THAT STEPS MAY BE TAKEN TO ERODE SALARIES AND CONDITIONS OF SERVICE IN THE RUN UP TO 1997, EITHER TO BRING THEM MORE INTO LINE WITH THOSE IN MAINLAND CHINA OR AS A MEANS OF REDUCING FUTURE LIABILITIES. SOME POLICE OFFICERS ARE CONCERNED AT POSSIBLE RETRIBUTION AND CONTINUE TO SEEK A RIGHT OF ABODE IN THE UK. STAFF ASSOCIATIONS ARE STILL CONSULTING THEIR MEMBERS OVER DETAILED IMPLICATIONS.

ASSESSMENT

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9. THE ANNOUNCEMENT THAT INDIVIDUAL SUBMISSIONS TO THE ASSESSMENT OFFICE (OTHER THAN SUBMISSIONS FROM MAIN ORGANISATIONS) WILL BE DESTROYED HAS BEEN WELL RECEIVED.

ECONOMIC CONFIDENCE

10. THERE ARE INDICATIONS OF AN IMPROVEMENT IN SENTIMENT. THE HANG SENG INDEX HAS BEEN FIRM, CLOSING YESTERDAY AT A 6-MONTH HIGH OF 1,028. THE EXCHANGE RATE HAS BEEN SLIGHTLY MORE SETTLED, AND ON 18 OCTOBER MOVED BELOW U.S. DOLLARS 7.83. THE TRADE WEIGHTED VALUE OF THE HK DOLLAR IS 75.2 ON THE INDEX WHICH IS BACK WHERE IT HAD BEEN IN MAY 1983. THE HONG KONG DOLLAR HAD DEPRECIATED BY 12 PERCENT AGAINST THE U.S. DOLLAR SINCE THAT DATE BUT HAS APPRECIATED 18 PERCENT AGAINST THE RMB AND 13 PERCENT AGAINST THE POUND STERLING. THERE CONTINUE TO BE REPORTS OF BETTER BUSINESS PROSPECTS, AND OF INCREASED DEMAND FOR MODERATE-PRICED RESIDENTIAL PROPERTY.

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3
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