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 FM HONG KONG 190040Z APR 83
 TO ROUTINE FCO
 TELEGRAM NUMBER 527 OF 19 APRIL
 INFO ROUTINE PEKING

a Hong Kong financier.

YOUR TELNO 229 TO PEKING: FUTURE OF HONG KONG: FUNG KING HEY.

1. FUNG KING HEY CALLED ON ME TODAY TO REPORT ON HIS VISIT TO PEKING. AS REGARDS THE PRIME MINISTER'S MESSAGE (PARA 2 OF TEL UNDER REF), LIAO CHENGZHI TOLD FUNG THAT A MESSAGE FROM BRITAIN (NOT FURTHER SPECIFIED) HAD BEEN RECEIVED. LIAO DID NOT (NOT) GIVE ANY INDICATION OF THE CONTENT OF THE MESSAGE BUT SAID THAT THE CHINESE WOULD REPLY TO IT AFTER IT HAD BEEN THOROUGHLY DISCUSSED. WHEN FUNG ASKED WHETHER IT WAS NOW LIKELY THAT THERE WOULD BE PROGRESS IN THE TALKS, LIAO SAID THAT IT WAS NOT CERTAIN THAT THERE WOULD BE PROGRESS BUT IT WAS POSSIBLE.

2. FUNG SAID HE HAD ASKED LIAO ABOUT DENG XIAOPING'S SPEECH IN 1980 IN WHICH REUNIFICATION WITH TAIWAN WAS LISTED AS ONE OF THE THREE MAIN TASKS FOR THE 1980'S. HOW DID THE 1997 DATE FOR HONG KONG FIT IN WITH THIS? LIAO RESPONDED THAT THE POLICY FOR HONG KONG WOULD NOT CHANGE. 1997 WAS NOT TOO LATE TO RECOVER SOVEREIGNTY BUT RECOVERY COULD NOT BE DELAYED BEYOND THAT. FUNG COMMENTED THAT WHILE HE HAD GAINED THE IMPRESSION FROM EARLIER MEETINGS WITH CHINESE LEADERS THAT ACTION BEFORE 1997 WAS A REAL POSSIBILITY, HE NO LONGER BELIEVED THIS TO BE THE CASE.

3. BY HIS OWN ACCOUNT FUNG SPOKE ROBUSTLY ABOUT THE CONSEQUENCES SHOULD THE CHINESE IMPLEMENT THEIR SELF-RULE PLAN FOR HONG KONG. HE HAD TOLD LIAO THAT IF THAT HAPPENED 70 PER CENT OF THE PEOPLE THE CHINESE WOULD WISH TO REMAIN IN HONG KONG (INCLUDING THE EXECUTIVES IN HIS COMPANIES AND HIS CHILDREN), WOULD SEEK TO LEAVE. HE HIMSELF WOULD WANT TO STAY, BUT IF BUSINESS DECLINED DRASTICALLY HE TOO MIGHT BE FORCED TO LEAVE. HE HAD STRESSED THE VITAL IMPORTANCE OF FREEDOM OF MOVEMENT FOR HONG KONG PEOPLE, AND FREEDOM TO TRANSFER ASSETS. THOUGH LIAO HAD BECOME ANNOYED WHEN FUNG HAD SPOKEN IN THIS VEIN ON AN EARLIER OCCASION HE DID NOT REACT THIS TIME.

**THIS TELEGRAM
 WAS NOT
 ADVANCED**

YOUDE

FUTURE OF HONG KONG**LIMITED**

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