

GR 350

UNCLASSIFIED

FM HONG KONG 260800Z SEP 83

TO PRIORITY PEKING

TELEGRAM NUMBER 559 OF 26 SEPTEMBER

AND TO PRIORITY FCO

THE FOLLOWING ARE PRESS STATEMENTS ISSUED BY HONG KONG GOVERNMENT ON 25 SEPTEMBER 1983:-

"THE GOVERNOR, SIR EDWARD YOUDE, THIS EVENING EXPRESSED GREAT CONCERN ABOUT THE EXCHANGE VALUE OF THE HONG KONG DOLLAR IN RECENT DAYS.

AFTER DAY-LONG DISCUSSIONS WITH THE CHIEF SECRETARY AND THE FINANCIAL SECRETARY, HE SAID HE SYMPATHISED WITH PEOPLE'S ANXIETIES BUT URGED THEM NOT TO BE CARRIED AWAY BY THE PRESENT MOOD OF PESSIMISM.

THE GOVERNOR SAID A STRONG EXPORT-LED RECOVERY WAS NOT UNDERWAY AND SO THE RATES QUOTED FOR THE HONG KONG DOLLAR WERE NOW QUITE UNREASONABLE. THEY CERTAINLY DID NOT PROPERLY REFLECT UNDERLYING ECONOMIC OR POLITICAL REALITIES. THE GOVERNOR STRESSED THAT HE WAS FULLY AWARE OF PEOPLE'S CONCERNS. HE BELIEVED THAT EVERYONE'S INTERESTS WOULD BE BEST SERVED BY CALMLY GETTING ON WITH THEIR JOBS. THEY SHOULD REFUSE TO BE DISTRACTED BY ALARMIST CHATTER AND MISLEADING COMMENTS WHICH HAVE THE EFFECT, INTENDED OR OTHERWISE, OF DAMAGING CONFIDENCE. THE TALKS ABOUT HONG KONG'S FUTURE ARE STILL IN PROGRESS AND IT WAS NOT TO BE EXPECTED, HE ADDED, THAT THEY WOULD REACH RAPID RESULTS BECAUSE THE ISSUES INVOLVED ARE COMPLEX.

IT HAS JUST BEEN LEARNED THAT A FURTHER ANNOUNCEMENT ABOUT THE OUTCOME OF CERTAIN CONSULTATIONS THAT THE ACTING FINANCIAL SECRETARY, MR DOUGLAS BLYE, HAS BEEN HAVING TODAY WITH REPRESENTATIVES OF THE NOTE-ISSUING BANKS COULD BE EXPECTED LATER THIS EVENING".

"AS A RESULT OF THE RECENT UNWARRANTED DEPRECIATION OF THE LOCAL CURRENCY THE ACTING FINANCIAL SECRETARY, MR DOUGLAS BLYE, HAS BEEN IN CONSULTATION THROUGHOUT THE WEEKEND WITH THE NOTE-ISSUING BANKS AND OTHER ADVISERS. VARIOUS PROPOSALS HAVE BEEN CONSIDERED. A BASIC PREREQUISITE OF ALL OF THESE PROPOSALS WAS FULL CONVERTIBILITY OF THE CURRENCY.

ONE PROPOSAL WHICH IS BEING ACTIVELY DEVELOPED INVOLVES A SUBSTANTIAL REVISION OF THE MECHANICS FOR ISSUING AND REDEEMING CERTIFICATES OF INDEBTEDNESS TO THE NOTE-ISSUING BANKS IN SUCH A WAY AS TO PRODUCE AN EXCHANGE RATE WHICH WOULD MORE ACCURATELY REFLECT THE FUNDAMENTAL STRENGTH OF THE ECONOMY. THE PROPOSAL

/WILL

WILL MEAN THE ASSUMPTION BY THE EXCHANGE FUND OF A MORE
SIGNIFICANT ROLE IN THE EXCHANGE RATE DETERMINATION MECHANISM.
IN THE MEANTIME, THE GOVERNMENT SPOKESMAN SAID THAT THE EXCHANGE
FUND RETAINS ITS EXISTING CAPABILITY TO INTERVENE IN THE FOREIGN
EXCHANGE AND MONEY MARKETS''.

YOUDE

THIS TELEGRAM
WAS NOT
ADVANCED

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/FUSD

PS

PS/LADY YOUNG

PS/MR LUCE

PS/FUS

SIR J BULLARD

MR GIFFARD

MR DONALD

MR WRIGHT

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MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE

MR FLOWER FUSD

MR COLES NO 10 DOWNING STREET

SIR A PARSONS NO 10 DOWNING STREET

MR WALKER RESEARCH D OAB 2/82