

RESTRICTED

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FM HONG KONG 270850Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1417 OF 27 SEPTEMBER

INFO IMMEDIATE HONG KONG GOVERNMENT OFFICE LONDON PEKING  
UKMIS NEW YORK (FOR S OF S'S PARTY), OTTAWA (FOR PS TO PM),  
INFO ROUTINE HK GOVT REPS WASHINGTON, CG NEW YORK, UKMIS GENEVA,  
BRUSSELS

**IN**

**ACTION COPY**

*P.N. has seen*

*cf 25/9*

**FUTURE OF HONG KONG: PRESS COVERAGE.**

1. ALL NEWSPAPERS ON 27 SEPTEMBER COMMENTED ON THE HONG KONG GOVERNMENT'S EFFORTS TO STABILISE THE FOREIGN EXCHANGE RATE OF THE LOCAL CURRENCY AGAINST THE BACKGROUND OF SINO/BRITISH TALKS ON THE FUTURE OF HONG KONG. THERE WAS A GENERAL WELCOME FOR THE STEPS TAKEN, WHICH THE COMMUNIST PRESS DESCRIBED AS "BETTER LATE THAN NEVER", BUT WHICH MOST INDEPENDENT NEWSPAPERS REGARDED AS TEMPORARY MEASURES TO SEE THE HONG KONG DOLLAR THROUGH A CRISIS.

2. THE MAJOR COMMUNIST NEWSPAPERS ALL POINTED TO THE IMMEDIATE IMPACT OF THE ANNOUNCEMENT OF THE GOVERNMENT'S MEASURES AND SAID THAT THE RAPID RECOVERY OF THE HONG KONG DOLLAR DEMONSTRATED THAT THERE WAS NO FUNDAMENTAL LACK OF CONFIDENCE IN THE LOCAL UNIT AND THAT THE HONG KONG GOVERNMENT WAS NOT POWERLESS TO INTERVENE IN THE MONEY MARKETS. INDEED, THE GOVERNMENT SHOULD HAVE ACTED EARLIER. TA KUNG PAO SAID THAT THOSE WHO HAD "TIED THE KNOT" (I.E. THE HONG KONG GOVERNMENT) SHOULD BE RESPONSIBLE FOR UNTYING IT. THE NEW EVENING POST SAID THAT THE ROYAL INSTRUCTIONS REQUIRED THE GOVERNOR TO SEEK THE APPROVAL OF THE BRITISH FOREIGN SECRETARY ON THE ISSUE OF BANKNOTES AND ANY QUESTION OF EXCHANGE CONTROLS. SUCH COLONIAL REGULATIONS SHOULD BE ABOLISHED BECAUSE HONG KONG NEEDED FLEXIBILITY AND AUTONOMY IN STABILISING THE EXCHANGE RATE.

3. THE EXPRESS (INDEPENDENT) COMMENDED THE GOVERNMENT FOR ITS TIMELY INTERVENTION. THE MEASURES HAD ACHIEVED INITIAL SUCCESS AND HAD DISCHARGED THE GOVERNMENT'S IMMEDIATE RESPONSIBILITY FOR STABILISING THE DOLLAR. IT WAS NOW UP TO THE CHINESE GOVERNMENT TO DO ITS PART. THE EXPRESS SAW THIS AS AN OPEN TEST AND CHALLENGE TO CHINA. THE ORIENTAL DAILY AND THE FINANCIAL DAILY (BOTH INDEPENDENT) HOPED THAT INTEREST RATES WOULD BE LOWERED ONCE THE HONG KONG DOLLAR HAD ''RETURNED TO NORMAL''. A COLOMNIST IN THE INDEPENDENT MING PAO EVENING NEWS SAID THAT CHINA'S LEADERS SHOULD REVIEW THEIR PROPAGANDA CAMPAIGN WHICH HAD CAUSED THE HONG KONG DOLLAR TO PLUMMET, HARMING NOT ONLY THE PEOPLE OF HONG KONG BUT ALSO CHINA'S OWN FOREIGN EXCHANGE EARNINGS.

4. ALL PAPERS CARRIED YESTERDAY'S ANNOUNCEMENT OF SIR P. CRADOCK'S NEW APPOINTMENTS. THE COMMUNIST PRESS ACORDED THE NEWS ROUTINE COVERAGE WITH NO COMMENT. THE INDEPENDENT PRESS, HOWEVER, COMMENTED FAVOURABLY ON WHAT IT SAW AS AN EXPRESSION OF HMG'S FIRM COMMITMENT TO THE INTERESTS OF HONG KONG AND SINO/BRITISH RELATIONS GENERALLY. THE APPOINTMENTS WERE SEEN AS AN INDICATION THAT THE TALKS ON THE FUTURE OF HONG KONG WOULD CONTINUE FOR SOME TIME.

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