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SUBJECT: EAST ASIA BRIEF C

FOR 26 JUNE 1989

FROM: ODI/O/CPAS.

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2. HONG KONG: MOOD REMAINS BLEAK

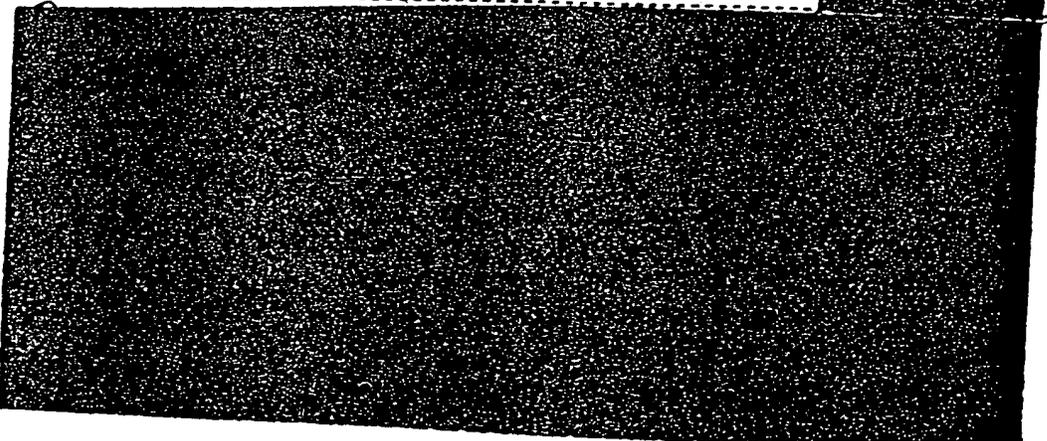
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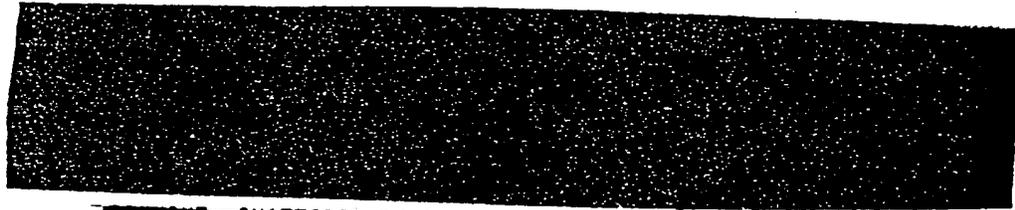


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2. HONG KONG: MOOD REMAINS BLEAK

RECENT STATEMENTS BY TOP CHINESE LEADERS VILIFYING HONG KONG FOR SUPPORTING THE UNREST IN CHINA ARE UNDERCUTTING EFFORTS BY THE BRITISH AND HONG KONG GOVERNMENTS TO SHORE UP PUBLIC CONFIDENCE IN THE TERRITORY'S FUTURE, DEEPENING POPULAR PESSIMISM. (C NF)

RECENT EDITORIALS IN THE PEOPLE'S DAILY ACCUSING HONG KONG RESIDENTS OF FOMENTING UNREST AND CONTINUING ATTACKS BY CHINESE-CONTROLLED MEDIA IN THE COLONY HAVE RAISED LOCAL FEARS OF RETALIATION BY BEIJING. LOCAL BUSINESSMEN ALSO FEAR INCREASED CHINESE INTERFERENCE IN THE ECONOMY AS BEIJING SEEKS TO REGAIN CONTROL OF CHINESE COMPANIES IN HONG KONG AS PART OF ITS RETRENCHMENT PROGRAM. MANY SEE LITTLE PROSPECT OF A RETURN TO STABILITY IN BEIJING AFTER DENG'S PASSING, FEARING THAT PREMIER LI PENG AND PRESIDENT YANG SHANGKUN WILL EMERGE AS VICTORS AND WILL RESORT TO A HEAVY HAND TO QUELL OPPOSITION TO CHINESE POLICES AFTER 1997.



SHATTERED BY THE VIOLENT CRACKDOWN IN BEIJING, THE FRAGILE CONFIDENCE IN HONG KONG'S FUTURE WILL BE HARD TO REBUILD. MANY LOCAL OBSERVERS FEAR THAT BEIJING NO LONGER BELIEVES THE TERRITORY'S STABILITY AND PROSPERITY ARE NECESSARY FOR A SUCCESSFUL TRANSFER OF SOVEREIGNTY IN 1997 AND THAT IT WILL TAKE ACTION AGAINST THOSE IT BELIEVES SUPPORTED "COUNTERREVOLUTIONARY" ACTIVITIES.

LOCAL INTEREST GROUPS THAT HAVE BEEN PRESSING FOR GREATER DEMOCRATIZATION MAY NOW HAVE A LOUDER VOICE IN ANY NEGOTIATIONS WITH BEIJING OVER THE DRAFT BASIC LAW--ON HOLD SINCE THE TIANANMEN MASSACRE. AT THE SAME TIME, THOSE WHO CAN ARE LIKELY TO LEAVE THE COLONY BY ANY MEANS POSSIBLE.