

S
806

PREM 19/786

PART I

Confidential File

The Prime Ministers meetings with
Sir YUE-KONG PAO, a
shipping magnate.

HONG KONG

May 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
15.5.79.		29.5.81		25.1.82			
17.6.79		23.6.81		<p>— Pt 1 Ends —</p>			
13.6.79		15.7.81					
23.6.79		17.7.81					
17.9.79		28.7.81					
22.9.80		5.8.81					
4.10.80		30.9.81					
7.10.80		4.10.81					
20.10.80		19.10.81					
3.11.80		6.11.81					
5.11.80		17.11.81					
11.11.80		3.12.81					
20.11.80		18.12.81					
1.12.80		22.12.81					
23.1.81		5.1.82					
26.1.81		6.1.82					
		13.1.81					

PREM 19/786

PART 1 ends:-

PM to Sir YK Pao 25.1.82

PART 2 begins:-

Sir YK Pao to PM 8/2/82



RM
HKay
C/O.

10 DOWNING STREET

THE PRIME MINISTER

25 January 1982

Thank you very much for your letter of 13 January. It is always good to hear from you. I am looking forward to the ship launch in March.

Thank you, too, for your remarks about Sir Edward Youde's appointment. I agree that he will bring very special qualities to this vital post.

I shall keep well in mind your suggestion that we invite Vice Premier Gu Mu and Mrs Gu here. I understand that an open invitation was in fact issued to Mr Gu Mu on behalf of the Government in June, 1980. I do not know how soon it will be possible to make a firm arrangement but I am grateful for the idea.

Many thanks for writing.

(SGD) MARGARET THATCHER

Sir Yue-Kong Pao, C.B.E., J.P.,

R

25 January 1982

Hong Kong/China

I enclose for your information a copy of a recent exchange of letters between Y.K. Pao and the Prime Minister.

AJC

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

A



10 DOWNING STREET

Prime Minister

I attach some earlier F./C.O.
advice suggesting that we should not
give Su Hu a firm invitation
until we know what we shall
say if he raises the question of
a large-scale U.K. ban to China

A.S.C.

Sir Yue-Kong Pao C.B.E., LL.D., J.P.

R2011
WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

13th January, 1982.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

Dear Prime Minister,

I have just returned to Hong Kong from Hawaii and wish to write to thank you sincerely for sparing the time to receive me in your office before Christmas. Our discussion on Hong Kong's future was extremely timely and interesting. You were kind to let me know that you will extend an invitation to Vice Premier Gu Mu to visit the United Kingdom sometime this year and it is my considered thought now that you might like to consider extending the invitation to Mrs. Gu as well.

Like everyone else in Hong Kong, I enthusiastically welcome the news of Sir Edward's appointment as Governor to succeed Sir Murray and wish to congratulate you and your Government on an ideal choice born of careful deliberations. Sir Edward's unique attributes, especially his extensive involvement in China and his personal rapport with the Chinese Leadership will, we are sure, fully equip him to tackle this difficult assignment at a time when our relations with our giant neighbour are at a crucial turning point. He is undoubtedly the man best qualified to carry on Sir Murray's good work and we will all look up to him to guide Hong Kong to greater success and stability.

I will look forward to the pleasure of seeing you in March at the Austin & Pickersgill ship launch and in the meantime, send my kindest regards.

yours sincerely
J. K. Pao

5 January 1982

Prime Minister's Meeting
with Sir Y.K. Pao

Thank you for your letter of 4 January.
The Prime Minister has noted its contents.

A. J. COLES

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

4 January 1982

Prime Minister

To note.

A.S.C. 4/1

Dear John,

Prime Minister's Meeting with Sir Y K Pao: 17 December 1981

Thank you for your letter of 18 December.

Sir Y K Pao quotes Vice Premier Gu Mu as saying that he had never been to the United Kingdom, and Sir Y K enquires whether it would be possible to invite him here, possibly in February. As Sir E Youde told the Prime Minister on 23 December, we would not recommend going firm on a specific invitation until we are clearer about what we would be able to say to him if he were to raise the question of a large-scale loan. There is already an open invitation to him on the table, first extended in July 1980. As far as we are aware Gu Mu did not mention this when Mr Rees saw him before Christmas in Peking. When the Lord Privy Seal is in China he proposes to renew in general terms the invitations extended over the last year or two to a number of Chinese leaders. But he is not due to meet Gu Mu and will not wish at this stage to make any specific proposals about dates.

Lord Carrington welcomes the Prime Minister's idea of a working meal with the Chinese Ambassador. He thinks that it would be best to hold this in the run-up to the Prime Minister's visit to China, when there will be specific matters to discuss. To see Mr Ke Hua cold at an earlier stage is unlikely to be productive; his instructions would allow him little leeway and an invitation from the Prime Minister would lead the Chinese to expect that she had proposals to make. He would come prepared to listen but not to discuss.

Yours ever

(R M J Lyne)
 Private Secretary

A J Coles Esq
 10 Downing Street

- 4 JAN 1982



FILE

Hong Kong

ds

PRIME MINISTER

Sir Edward Youde

The above is coming to see you tomorrow.

You asked to see him following your talk with Y.K. Pao the other day. I think you wished to give Sir E. Youde an account of that conversation and discuss its implications for your visit to China, Hong Kong and Japan next year.

We also need to settle before Christmas what the Lord Privy Seal can say, when he visits Peking and Tokyo next month, about your own plans for a visit. You will recall the Foreign Secretary's minute (attached) in which he recommends that we should tell the Chinese and Japanese that you hope in principle to visit in the second half of September.

We discussed the alternative, namely that you should go in the Easter Recess. I explained that:-

- a) President Mitterrand was expected to be in Japan (and possibly China as well) in mid April;
- b) The FCO judge that it will be a difficult and lengthy process to bring the Chinese to the point of readiness to discuss the future of Hong Kong. It is unlikely that they can be brought to this point by April. One or more discussions in OD are likely to be necessary.

A point I should have mentioned, but did not, the other day is that Sir Edward Youde, whose appointment to Hong Kong has just been announced, will have only just arrived in the Colony by the Easter Recess.

A. J. COLES

22 December 1981



B/F

cc. Mantel sek.

SUBJECT

10 DOWNING STREET

From the Private Secretary

18 December 1981

Prime Minister's Meeting with Sir Y.K. Pao:
17 December

Thank you for your letters of 16 and 17 December.

On his arrival Sir Y.K. Pao requested that his meeting with the Prime Minister should be private. After the meeting the Prime Minister gave me an account of what had transpired but she is most anxious that the conversation should be fully protected. I should therefore be grateful if this letter is shown only to those who really need to know its contents.

Sir Y.K. said that he had had a long talk with Mr. Gu Mu, Deputy Premier of China, and also with Deng Xiaoping. He had also seen Huang Hua.

Gu Mu said that he had never been to the United Kingdom. Sir Y.K. wondered whether it would be possible to invite him here, perhaps in February. He had said that the Chinese were very concerned about their relationship with the United States. They had implied that if the Americans moved closer to Taiwan and in particular developed a significant relationship in the arms field, this would be too much for the Chinese to digest. The latter therefore wished to get nearer to the United Kingdom. But Deng Xiaoping had questioned the desirability of this on the grounds that the UK was too poor to help. Sir Y.K. argued that British economic policy was working and there were ways in which Britain could be helpful to China.

The subject of Hong Kong had arisen in these conversations. Sir Y.K. thought it desirable that there should be early high level discussions with the Chinese about the matter. In this connection the Chinese had drawn attention to the ways in which Japan was helping China at present. They had apparently produced both substantial export credits and an untied loan equivalent to \$1 billion in value. He had been asked by the Chinese whether Britain would consider providing a similar kind of assistance. The Chinese would then be happy to discuss Hong Kong. They were not making a

/ conditional link

conditional link between the two but thought the two matters could usefully be discussed at the same time. Sir Y.K. told the Prime Minister that he thought people in Hong Kong might be able to help with such a loan.

Huang Hua had said that when the existing arrangement lapsed it would not be possible to envisage any formula implying any degree of sovereignty for Hong Kong. On the other hand the Chinese recognised that there were special problems. They had not been able to think of a formula which was satisfactory from all points of view and wondered whether the United Kingdom had been able to do so.

In telling me of the above conversation, the Prime Minister said that it had not always been possible to grasp fully what Sir Y.K. was saying.

As I told you on the telephone, the Prime Minister thinks it would be useful to have a talk soon with a senior FCO official about this conversation and its implications for our policy. May we be in touch about this separately as soon as possible?

The Prime Minister also wondered whether it would be helpful if at some time in the near future she invited the Chinese Ambassador to Chequers for a working lunch or dinner. I should be grateful for advice on this matter and, if you think it a good idea, a suggested guest list. (The Prime Minister thought possible guests were Sir Edward Youde, Sir John Addis and Sir John and Lady Keswick.

A.L. COLES

Roderic Lyne, Esq.,
Foreign and Commonwealth Office

SECRET



Foreign and Commonwealth Office

London SW1A 2AH

17 December 1981

Dear John,

Prime Minister's Meeting with Sir Y K Pao: 1630,
17 December

I sent you yesterday a brief for this meeting. Among other points this covered the question of the future of Hong Kong in which Sir Y K naturally takes a close interest.

The brief mentions that Sir Y K has recently been in Peking where he saw Chinese leaders, including Deng Xiaoping. In strict confidence Sir Y K has told the Governor of Hong Kong a little about his discussions in Peking. He took the opportunity of mentioning the likely effect on confidence in the Territory of the approach of 1997. He also had a general discussion with Deng covering a number of international matters, including relations between China and the United States. He claims to have got the impression that, because of disenchantment with the United States, China would be interested in achieving a closer relationship in the political and commercial fields with the UK.

We hope that Sir Y K will expand on this when he sees the Prime Minister. He may well throw in his own ideas on possible implications for Hong Kong and its future. It would be very helpful if you could let us have a fairly full record of what he says on these points and in particular of exactly what line the Chinese leaders took with him. I imagine that the Prime Minister will wish to be fairly non-committal in expressing to Y K Pao our thoughts on the future of Hong Kong, and our reactions to whatever suggestions he brings from China.

Yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

John Coles Esq
10 Downing Street

SECRET



2

SECRET

PRIME MINISTER'S MEETING WITH SIR Y K PAO, 17 DECEMBER

POINTS TO MAKE

1. Hear you have recently been in Peking. How was your visit?

FUTURE OF HONG KONG

2. Useful to hear Sir Y K's views. How much pressure is there on investor confidence in Territory from uncertainty over future?

PRIME MINISTER'S VISIT TO CHINA [If raised]

3. Timing for visit to Peking not yet decided. Shall of course want to talk to Chinese leaders about Hong Kong. But will have to move with care. Important also to avoid arousing expectations of imminent solution.

GOVERNORSHIP OF HONG KONG

4. Appointment is subject to The Queen's approval. We hope to make an announcement before Christmas.

PROPOSED LAUNCH OF SHIP IN SHANGHAI

5. Grateful for suggestion. Not possible to make any decision until firm decision is made on visit to China.


SEPARATE HONG KONG REGISTER

6. (If raised) Separate Hong Kong register not in our or Hong Kong's interest. Would only draw further unjustified accusations from UNCTAD that Hong Kong flag of convenience.

STATE OF RELATIONS WITH CHINA

7. Relations with China never better.

SECRET


SECRET : STAFF IN CONFIDENCE

PRIME MINISTER'S MEETING WITH SIR Y K PAO, 17 DECEMBER

ESSENTIAL FACTS

FUTURE OF HONG KONG

1. Sir Y K Pao was in Peking recently where he saw Chinese leaders including Deng Xiaoping. He will probably want to tell the Prime Minister about this.

PRIME MINISTER'S VISIT TO CHINA

2. Sir Y K Pao is aware of the possible visit to Peking by the Prime Minister next Autumn. The visit has not yet been agreed. If it does take place, the question of Hong Kong is bound to arise and there is no harm in saying so to Sir Y K Pao.

GOVERNORSHIP OF HONG KONG

3. The Prime Minister has agreed to Lord Carrington's selection of Sir Edward Youde to succeed Sir Murray MacLehose, whose term expires in April 1982. The Queen's approval to the appointment is awaited. It is hoped that Her Majesty's approval can be obtained in time to enable a public announcement on 21 December.

Sir Edward Youde is at present Deputy to the PUS and Chief Clerk, Foreign and Commonwealth Office.

PROPOSED LAUNCH OF SHIP

4. In call on Prime Minister on 17 July, Sir YK said that, if she visited China in 1982, he would be pleased if she could launch one of his ships, 'United Enterprise', being built in Shanghai. (He also suggested possibility that, in return, wife of a Chinese dignitary might launch one of his ships being built in the UK). Correspondence on subject, most recently letter of 3 December from Prime Minister to Sir Y K, saying that, as there had so far been no

/detailed

SECRET : STAFF IN CONFIDENCE


SECRET : STAFF IN CONFIDENCE

- 2 -

detailed discussions of her possible visit with Chinese authorities, it would be premature for Sir Y K Pao to raise with them his launching of 'United Enterprise'. However, Prime Minister apparently willing to consider launching the ship, and HM Embassy in Peking do not think proposal would be unacceptable to Chinese.

OTHER SHIPPING MATTERS

5. Sir Y K Pao is Chairman of INTERTANKO (International Association of Independent Tanker Owners) and head of World-Wide Shipping Group, whose large fleet mainly registered in Liberia. Thus supports open registries. UK in favour of countries being free to register ships on their own terms, subject to their ability to enforce internationally agreed safety, social and environmental standards. We believe maritime safety should be pursued in its own right, not by attacking open registries, as developing countries and communist bloc have done at UNCTAD.

6. In context of UNCTAD attacks on open registries, Sir Y K Pao has publicly suggested separate Hong Kong register. At present Hong Kong port of registry under British flag on same lines as London or Liverpool. His aim is to make it possible to employ either non-British National or non-British certificated officers on Hong Kong registered ships. Would allow some flag of convenience ships to move to Hong Kong register. Hong Kong's marine administration do not have resources to cope with any major expansion of register. [NOT FOR USE] Moreover under present law, impossible to set up separate Hong Kong register under British flag.

/7.

SECRET : STAFF IN CONFIDENCE

SECRET : STAFF IN CONFIDENCE

- 3 -

7. On 18 September, Sir Y K wrote to the Prime Minister with copy of his speech at the Caracas Conference of the International Chamber of Commerce. This dealt largely with the importance of collaborative ventures in shipping, but did mention the desirability of separate Hong Kong register. In speech Sir Y K also called for end to politicisation of shipping issued. His call (with which HMG agree) endorsed by final declaration of Caracas Conference.

SHIPBUILDING

8. Since 1960s, Sir Y K's company has obtained majority of new vessels from Japanese yards. However, in January 1981, Sir Y K placed £23 million order for general cargo vessels with British Shipbuilders' subsidiary Austin and Pickersgill - his first order in UK for some time. Intervention fund grants enabled Austin and Pickersgill to quote competitive price. Vessels due for delivery in 1982.

Hong Kong and General Department
Foreign and Commonwealth Office

16 December 1981

SECRET : STAFF IN CONFIDENCE

SIR YUE-KONG PAO CBE LLD JP

Born 1918 Zhejiang Province, China. Educated Shanghai and went into banking. Took refuge in Hong Kong in 1949, entering import/export business. Purchased first ship in 1955 and formed World-Wide Shipping Group, now the world's largest independent, of which he is Chairman and President.

Banker by origin and instinct, remains a Director of Hongkong and Shanghai Banking Corporation. Takes keen interest in Intertanko (representing 80% of world's independent tanker tonnage) of which he is Chairman. Rumoured to be trying to bring dry bulk tonnage under the wing of Intertanko which would give it even greater influence. Recently joined Hong Kong Shipowners Association but stands aloof from Liberian Shipowners Association although most of his fleet flies Liberian flag.

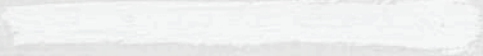
Guest of President and Mrs Marcos at UNCTAD V. Invited to President Reagan's Inauguration. On visiting terms with Chinese leadership where a cousin is Minister of Tourism. (Has \$50 million shipping joint venture with China). Visited China in early December. Frequent contacts with British Ministers and called on Prime Minister in June 1979, November 1980 and July 1981.

CBE 1976. Knighted 1978.

Married, four daughters.

PRIME MINISTER

Your meeting with Sir Y.K. Pao

1. He is coming for an off the record, informal,

2. Just to remind you about your commitment to launch one of his ships on 12 March. The launch is at 1530 followed by a champagne tea and you depart at 1700. The morning will be taken up with official visits and a Conservative Party lunch. Please do not commit yourself to staying any longer at the launch than from 1530-1700.

e.s.

15 December 1981

re B

MR. COLES

Sir Y.K. Pao, who is Chairman of World-wide Shipping, is coming to see the Prime Minister on Thursday 17 December, as he has recently been to China. He is a friend of the Prime Minister's and she is launching one of his ships next year. In addition he is a generous donator to the Conservative Party. But in the past Michael always sat in on the meetings so you should be aware that this one is taking place. I have not requested any briefing for the Prime Minister.

F/c-o. briefing will ~~was~~
held on Wednesday night.

10 December 1981

A.J.C. ^{15.}/₁₂

Hong
Kong

3 December 1981

Sir Y.K. Pao

The Prime Minister has seen your letter to me of 2 December and, as I have already told you on the telephone, has agreed that the draft enclosed with it may be despatched.

MODBA

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

26

CONFIDENTIAL



Foreign and Commonwealth Office

① London SW1A 2AH

Prime Minister

2 December 1981

You are committed to launching one of Sir Y.K.'s ships in this country (on 12 March). He has also asked you to launch one in Shanghai next September: you are "keeping this in mind". Agree attached draft reply to Sir Y.K.'s letter of 12 Nov?

Dear Richard,

Amk 2/11

Yes no

- on GR file

Sir Y-K Pao wrote to the Prime Minister on 12 November. Lord Carrington has now received a reply to his letter to Y-K Pao, the text of which was cleared with you (my letter of 5 November refers).

I enclose a draft reply from the Prime Minister. We suggest this should be sent to Hong Kong by telegram so as to reach Sir Y-K Pao before his departure for China on 6 December.

There appears to be an inconsistency between Sir Y-K Pao's letter to the Prime Minister and his letter to Lord Carrington. In the latter it is clear that he is thinking in terms of the Prime Minister's participation in a launch ceremony in Shanghai (which is what we always thought to be the case); but in his letter to the Prime Minister it appears that he may envisage her launching one of his ships under construction at the Austin & Pickersgill yard.

If you think the Prime Minister's attitude to these proposals should be clarified further to Y-K Pao, you may wish us to make an appropriate addition to the telegram.

Yours ever,

PP (R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL

OUT TELEGRAM

Classification and Caveats
UNCLASSIFIED

Precedence/Deskby
ROUTINE

ZCZC
GRS
CLASS
CAVEATS
DESKBY
FM FCO
PRE/ADD
TEL NO

1 ZCZC
2 GRS
3 UNCLASSIFIED
4
5
6 FM FCO 021600Z DEC 81
7 TO ROUTINE HONG KONG
8 TELEGRAM NUMBER

9 1. Please pass the following text of a letter from Prime
10 Minister to Sir Y-K Pao before his departure for China on
11 6 December. (Texts of related correspondence follow by bag.)
12 Begins: Thank you for your letter of 12 November. I have also
13 seen your letter of 24 November to Peter Carrington.
14 I can understand your desire to press on with your ideas for the
15 launching of your ships in Shanghai and in this country. But as
16 we have not yet begun to discuss my proposed visit to China in
17 any detail with the Chinese authorities, I think it would be
18 premature to raise your ideas with them at this stage.
19 I can tell you that no decision has yet been taken on the
20 Governorship. But we realise its importance and have the
21 matter under active consideration. ENDS

///
//
/

22
23 CARRINGTON
24 NNNN
25

NNNN ends telegram	BLANK	Catchword
File number	Dept	Distribution
Drafted by (Block capitals) PRIVATE SECRETARY		
Telephone number 233 4041		
Authorised for despatch		
Comcen reference	Time of despatch	

Hay Kay

NOTE FOR THE FILE

I spoke to Sir Y.K.'s London Secretary, Mrs Chu. She said that Sir Y.K. had written to the Prime Minister but had not mentioned the two possible dates. These are:-

1. Thursday 11 February for naming the ship
2. Friday 12 March for launching the ship

Both these would take place in the Sunderland Shipyard.

I told Mrs Chu that neither day was very convenient (particularly not Thursday 11 February as it was Cabinet and Questions on that day) but that we would be in touch again when we had received Sir Y.K.'s letter.

CT.

17 November 1981

4

Sir Yue-Kong Pao C.B.E., LL.D., J.P.

WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

12th November, 1981.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

Dear Prime Minister,

Thank you so much for your letter of 19th October and I am grateful for your favourable response to my invitation for a launch sponsorship although it is realized that any date within this year does not suit your busy schedule. As we are most anxious to have the honour of your presence, we have been in consultation with Austin & Pickersgill to have the ceremony moved back to the time of the vessel's delivery in early 1982 when a christening could take place and I will write you again as soon as a definite date is worked out. As required by the shipyard, we have already decided on "United Enterprise" as the name of the vessel and I trust you are in agreement with our choice.

I will have a short trip on 6th December to Beijing and then be in Shanghai to attend the Opening of the "Marintec China 81" Shipping Exhibition/Conference as a guest speaker. While in Beijing, I expect to be able again to meet with a few members of the top leadership and I very much hope to have the opportunity of a discussion later with you in London at a time of your convenience.

Whilst in Beijing, I shall no doubt be asked by the Chinese leaders about the situation in Hong Kong, and Sir Murray's succession next year which is of course of great interest to them as is it to all of us. I do hope that the decision will be made public in the near future and look forward to learning who our new "Chief Executive" will be.

With warm regards and best wishes,

Yours Sincerely
J. K. Pao

JD

Han Kap

6 November, 1981.

Sir Y-K Pao

The draft enclosed with your letter to me of 5 November seems admirable.

CS

M. O'D. B. ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

Where is the draft reply?

RML

5 November 1981

Dear Michael,

Sir Y-K Pao

/ I enclose copies of a self-explanatory letter from
Sir Y-K Pao about the Prime Minister launching one of his
ships in Shanghai and our proposed reply. I would be
grateful for your approval. You will see that we have not
gone beyond what the Prime Minister herself told Sir Y-K
/ on 17 July (a note of the meeting is enclosed). The idea
has its attractions, though these need to be weighed
against the effect of the Prime Minister being seen to
give support to a commercial rival of the UK shipyards.
In any case before taking the idea any further we should
need to consult HM Ambassador in Peking and the Governor
of Hong Kong both about its practicability and its
political desirability in local terms.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

DSR 11 (Revised)

DRAFT: ~~minute~~/letter/teletype/airmail/telex

TYPE: Draft/Final 1+

FROM:

Reference

Secretary of State

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Sir Yue-Kong Pao CBE LLD JP
 World-Wide Shipping Group
 20/21st Floors
 Prince's Building
 Hong Kong

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Many thanks for your letter of 23 October. I too was sorry to miss you in July.

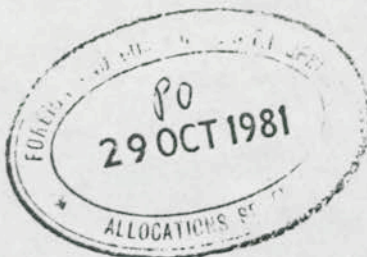
CAVEAT.....

I was interested to hear your idea about the launching of one of your ships. I know that you mentioned this to the Prime Minister on 17 July. I understand that she said that she would bear the proposal in mind. The Prime Minister certainly hopes to visit China next year but we have yet to discuss dates or an itinerary with the Chinese government. We shall want to take your idea into account when we have taken discussions with the Chinese rather further.

I certainly see no objection at all to your proposal for a reciprocal launch in this country. One of the difficulties, however, will be in timing. At present there are no plans for any very senior Chinese leaders to visit the UK in 1982 when I gather Austin and Pickersgill will be ready to launch.

Enclosures—flag(s).....

Sir Yue-Kong Pao C.B.E., LL.D., J.P.



WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

HKGD

23rd October, 1981.

*for draft reply psc
from S/S by 6/11*

The Rt. Hon. The Lord Carrington, KCMG, MC
Secretary of State for Foreign &
Commonwealth Affairs
Foreign & Commonwealth Office
London SW1A 2AL

*JS PS
PS/LPS
PS/PAS
Mr Donald
FED
TRED*

Dear Peter,

I am still sorry to have missed seeing you in London in July and I have always followed your activities with intense interests.

29/10

One of the issues I had wished to discuss with you during my last visit was whether in view of the ever strengthening friendship between Britain and China, it would be appropriate for me to extend an invitation to the Prime Minister when she visits China in 1982 to be Sponsor at the Launch or Christening of one of my Group's two 27,000 d.w.t. vessels and four 36,000 d.w.t. vessels being built by Chinese shipyards in Shanghai. Since this is an occasion born of the first major transaction Hong Kong interests have had with the Chinese shipbuilding industry, I am sure the Prime Minister's presence will have the effect of promoting further goodwill between the two countries. I had in fact mentioned this to the Prime Minister when I called on her on 17th July and am now just following up on the proposition.

As you know, my Group also have four vessels being built by the yards of Austin & Pickersgill and I was thinking that if the Chinese leadership were to pay a return visit to Britain later, I may be in a position to extend an invitation of Sponsorship to the lady of the Chinese leadership, thus completing a reciprocal arrangement of courtesy. Such an exercise, if agreeable to all concerned, will no doubt call for a great deal of co-ordination between my Group and the Chinese and A & P Shipyards on the matter of timing but I am convinced that the amount of goodwill generated will be considerable and worth the effort.

I would much appreciate your views on the suggestion and look forward to hearing from you at an early date.

With warmest regards,

*Yours truly
Y. K. Pao*



10 DOWNING STREET

File VB

cc D/H

THE PRIME MINISTER

19 October 1981

Hong Kong

Dear Sir Y-k.

Thank you for your letter of 23 September and I must apologise for my late reply. As you probably know, I have been spending the last week in Blackpool and prior to that I was on an overseas visit.

I feel very honoured to be invited to launch one of your ships and although I am not able to do so in November, I would like very much to accept this kind offer for 1982. My diary, as you rather suspected, is very over-crowded but if you could give me some indication as to a date that would suit you I will do my best to fit in. I know you will understand if there is to be a slight delay.

Yours sincerely
Margaret Thatcher

Sir Y.K. Pao

SB

X

May 1981

1

PRIME MINISTER

You have already seen Sir Y.K. Pao's letter inviting you to:

1. Sponsor and launch his first vessel built in Britain;
2. Launch one of his other vessels between February and April 1982.

You will remember that you told me that you could not possibly do anything further this November but would be happy to accept in principle the invitation for next year.

Before writing back to Sir YK, you ought to be aware of advice that I received today from the Department of Industry which is attached. I also attach an up-to-date copy of the 1982 diary. You will see you have a lot on and much will happen between now and then.

Do you still want to go ahead with this invitation?

E.S.
 They are bringing
 jobs to Britain.
 MB

9 October 1981

4



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212
SWITCHBOARD 01-212 7676

Secretary of State for Industry

Caroline Stephens
Private Secretary to the Prime Minister
10 Downing Street
London
SW1

7 October 1981

Dear Caroline

Tim Lankester wrote to Ian on 30 September about Sir Y-K Pao's invitation to the Prime Minister to launch one of his vessels currently being built by Austin and Pickersgill in Sunderland.

There is no reason in principle why the Prime Minister should not accept the invitation, provided that it can be fitted into her programme. Sir Y-K Pao's World Wide Shipping is the largest Hong Kong shipowner and is a valuable customer of British Shipbuilders. The Corporation has orders for 14 vessels from Hong Kong owners, 7 of which have been secured since Sir Y-K Pao's decision to order at the turn of the year, and the Hong Kong market currently represents a quarter of BS's order book.

Both Sir Y-K Pao and his rival Hong Kong shipowner, C Y Tung, are anxious to secure prestige launches for their British built vessels. Both have approached the Princess of Wales but neither occasion seemed appropriate for Her Royal Highness's first launch. Acceptance by the Prime Minister of Sir Y-K Pao's invitation will almost certainly bring a similar invitation from Tung, who is having two vessels built at Govan and two at Austin and Pickersgill, all due for launch before the end of 1982. The total value of the Tung orders is about £50 million, twice that of the Pao vessels. If the Prime Minister accepts Sir Y-K Pao's invitation, it might therefore be difficult for her to refuse a similar approach from Tung without causing offence.

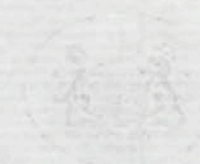
Yours ever

Catherine Bell

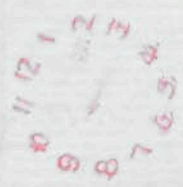
CATHERINE BELL
Private Secretary

X

DEPARTMENT OF BUSINESS
SHOWS HOUSE
1 VICTORIA STREET
LONDON SW1W 0EX
TELEPHONE 234 5678
FAX 234 5678



18611007-1



CONFIDENTIAL



file 20
Hong Kong

10 DOWNING STREET

From the Private Secretary

30 September, 1981.

I enclose a letter from Sir Yue-Kong Pao asking the Prime Minister if she will launch one of his ships being built at Austin & Pickersgill. I should be grateful if you could advise Caroline Stephens whether this would in principle be a good idea.

[Handwritten scribble]

T. P. LANKESTER

Ian Ellison, Esq.,
Department of Industry.

✓



10 DOWNING STREET

From the Private Secretary

30 September, 1981.

I am writing on the Prime Minister's behalf, in her absence in Melbourne, to thank you for your letters of 18 and 23 September.

I am sure the Prime Minister will be interested to read your paper on "The North-South Dialogue in Shipping" which you enclosed with your first letter. She will also be very glad to hear that other Hong Kong shipping interests have followed in your footsteps and placed orders with British yards, and that the launch of your first ship at Austin and Pickersgill is on schedule. We will be in touch with you as soon as we have consulted the Prime Minister in response to your invitation that she should be the sponsor of this first vessel.

J. P. LANKESTER

Sir Yue-Kong Pao, C.B.E., J.P.

wh also

1. MR. ALEXANDER
2. PRIME MINISTER

Handwritten initials

(2)

Seen by the Prime Minister. [Signature]

I have acknowledged this letter from Sir Yue-Kong Pao which encloses a paper he has given on "The North-South Dialogue in Shipping". I have also sent a copy to the Foreign and Commonwealth Office and Department of Trade.

CONFIDENTIAL

Handwritten mark resembling the Greek letter pi (π)

30 September, 1981.

MISS STEPHENS

*Will do - see.
to things. no.*

Y-K Pao has written to the Prime Minister asking her to be the sponsor of one of his ships which is to be launched in November. I think he actually wants her to launch the vessel; if this is not possible, he wants her to launch another of his ships sometime between February and April 1982.

I have acknowledged the letter, and have sent a copy to the Department of Industry asking for their advice. They will write back to you, and then can I leave it to you to consult the Prime Minister as necessary?

R

30 September, 1981.

X

Yue-Kong Pao C.B.E., LL.D., J.P.

WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

23rd September, 1981.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

228/9
110

Dear Prime Minister,

I am still grateful to you for your letter of 24th December, 1980 warmly endorsing my Group's move of ordering four new bulk carriers from Austin & Pickersgill. Since then other Hong Kong shipping interests have followed in our footsteps and placed more orders with British yards which no doubt is a good thing for the U.K. shipbuilding industry.

Construction work on our vessels is progressing well and you will be pleased to know that the launch of the first ship - Hull No. A&P-1415 - is scheduled to take place in November this year. It would be a deep honour for me and my Group indeed if you could accept my invitation to be Sponsor of this first vessel we have ordered from a U.K. yard in over a decade. Should November present some difficulties for you, we would be equally honoured if you could officiate at one of the three later vessels spread over the period between February and April, 1982.

I realize what commitment pressure you are under all the year round and should this prevent you from accommodating my request at all, then it is my wish to invite Miss Thatcher or Lady Howe to perform this important role for us and I would much appreciate your guidance as to what I should appropriately do.

Looking forward to the pleasure of hearing from you and with kindest regards,

Yours sincerely
J. K. Pao

X

Sir Yue-Kong Pao C.B.E., LL.D., J.P.

WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

18th September, 1981.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

Dear Prime Minister,

May I take the liberty of enclosing, for your possible interest, copy of a talk I gave in my capacity as Chairman of INTERTANKO (International Association of Independent Tanker Owners) at a recent conference of International Chamber of Commerce in Caracas. The paper, entitled "North-South Dialogue in Shipping", outlines the position our association takes towards what, I believe, is a major world issue today.

With warm personal regards,

Yours Sincerely
J. K. Pao

Encl.

Sir Yue-Kong Pao, CBE, LLD, JP.
Chairman, The International Association of Independent Tanker Owners
(INTERTANKO), and
Founder, World-Wide Shipping Group

"The North-South Dialogue in Shipping"

Mr. Chairman, (Your Excellency), Ladies and Gentlemen,

It is a pleasure to be in Caracas and an honour to speak on behalf of Intertanko at this prominent gathering. We must indeed be grateful to the International Chamber of Commerce for bringing us together.

After the Chairman's flattering introduction you might perhaps want to hear more about how one builds up a shipping fleet, and makes it the world's largest in 26 years. This would mean talking about my own Group however, and not about Intertanko; so allow me to be a little less specific and instead use my private story only as a backdrop for the larger scene. I am at least in a position to say with conviction that it can be done, and my remarks therefore have a basis in actual experience and are not the unrealistic expectations of an idealist. There seem to be a few of the latter in the shipping world today, and this fact is creating a number of problems for our industry. It is probably one of the reasons also why we are assembled here. The other reason, and I believe a very significant one, is the poor market situation; we had much less need for international conferences 10 years ago when the market was booming, and I believe that much of the present-day confrontation will fade away again when the situation has improved.

The arguments we face today in international shipping are, simply put, that some aspiring new entrants to the shipping industry want short-cuts to success; the established market participants on the other hand overreact to what they believe is a threat to their existence. Neither side is correct, and the matter has unfortunately become so entangled in political, social and technical issues that the basic objectives

are being forgotten; as a result, we seem to be shouting louder at each other while moving away from practical solutions.*

Let me briefly explain what I mean. The shipping industry, especially bulk shipping, has traditionally been based on a competitive environment supported by a high degree of private enterprise, a great many participants moving freely in and out of the market, a minimum of rules and regulations (other than for technical requirements), and an extensive and fast information network provided by the shipbroking community. Such an environment means benefits as well as drawbacks — the benefits being that the drive towards greater profitability tends to produce greater efficiency and therefore lower cost, while the drawbacks were the probably insufficient attention paid by the industry to ecological and social necessities. Even our critics should however admit that many of these modern concerns are very recent indeed, and that the industry is responding to them fully. Needless to say, all accidents should be avoided and Intertanko and its members are on record in their commitment to maritime safety and pollution prevention. We support the efforts of IMCO and continue to argue for a speedier ratification and implementation of existing conventions, despite the sizable costs associated with them, certainly for the tanker owners. IMCO must however now concentrate on helping to implement the existing conventions rather than initiate new ones.

"Lack of safety" should therefore not be used to condemn the whole shipping industry indiscriminately for irresponsibility, nor should it be used to blacken the otherwise outstanding economic performance of world shipping, nor as an excuse for challenging the competitive structure of our business. This would mean throwing out the baby with the bathwater. Let us keep working on eliminating accidents, but let us also keep them in perspective.

* Refer Intertanko, "Cargo Sharing and the Role of the Developing Countries in Tanker Shipping" Submission to UNCTAD, Committee on Shipping, 9th Session, Geneva, 1-12 Sept., 1980.

Individual shipowners usually pride themselves on their commercial flexibility and mental agility – abilities necessary to survive in the competitive arena where developments occur fast and responses need to be correspondingly prompt. We have however not yet fully digested some of the more fundamental political and economic changes in the world situation which started in the 1950's and 1960's with the emergence of many new sovereign states, and which were intensified in the 1970's by the so-called oil crisis. These changes provided the foundation of the current unease in the world which is encapsulated in the term "North-South dialogue" (a more accurate expression might in fact be "North-South disagreements") and which overshadows so much of how international business can be planned, including shipping. They have altered some of the traditional parameters for our industry: there is more direct involvement by national governments in shipping assets at the expense of private entrepreneurs, there is a greater interference by governments generally also in commercial decision-making (sometimes accelerated by the need to bail out financially troubled private interests), there is a trend towards selectivity in the acceptance of tonnage for the movement of cargoes based on political criteria, there is the outright refusal to let owners seek the most cost-efficient way of operation while often at the same time proclaiming the strategic need for a national maritime presence. Mr. Chairman, you are more intimately familiar with some of these problems in your country than I am, living in Hong Kong, but I would like to suggest that they are not isolated aberrations of one government or the other but symptoms of the difficulties the world faces in trying to adapt an increasingly complex global economic interdependence to the historical accident of states and their undoubted rights to the exercise of national sovereignty. As shipowners, we are trying to continue providing an essential and cost-effective service, while also trying to convince all local and supranational politicians and civil servants that this objective can best be achieved still, and national aspirations for economic growth and prosperity be most successfully met over the long run, if the bulk shipping industry is left exposed as much as possible to the market forces. No one participant in the shipping markets, not even government-

owned fleets or the fleets of the international oil companies have been able really to affect the aggregate supply and demand situation for tonnage, and it should therefore be fairly obvious that any attempts to distort the market balance will require tremendous resources, or alternatively create idle capacity. Intertanko has tried to demonstrate this in a study we submitted to UNCTAD last year entitled "Cargo Sharing and the Role of the Developing Countries in Tanker Shipping." The cumulative effect of efforts by several countries to interfere with market factors, unless they are very well coordinated or follow the same regime, could well produce serious dislocations in the smooth flow of world trade.

I do not wish to be misunderstood, Mr. Chairman; I am not arguing against the right of anyone, be they private individuals, public corporations, national governments, or supranational organisations, to engage in the bulk shipping trades. We have to accept that greater government involvement in shipping is an established fact; that many of the emerging nations — especially those with large raw material exports — do consider shipping a natural extension of their supply function; that not only the cost, but the availability of skilled seafaring manpower will mean a further shift in shipping away from the developed countries to centres in the Third World; that more extensive international regulation of our business — some would say over-regulation — is here to stay. No other organisation is probably better equipped to help in this task than the International Chamber of Commerce whose membership includes representatives from both the North and the South, and whose pragmatic outlook and concern with practical solutions can probably best serve to defuse the polemic that has crept into the latest deliberations of international shipping policies.

If we take as our premise that there are no serious barriers to entry in shipping (and that where they are found to exist they should be eliminated) and proceed from there to an acceptance of the demands of many developing countries for a presence in shipping, then we must come

to the conclusion that it would be best to cooperate with such aspirations. Surely this should be the most cost-effective way to integrate newcomers into the established framework of international shipping without straining their patience or making life more difficult for ourselves. This is why Intertanko and a number of other shipping organisations have argued that there is no need radically to change the system and forcefully and arbitrarily create special niches for these new interests by cargo preference or cargo sharing, but that the existing system is in fact better able to accommodate them, and incidentally also provides better chances for profitability and adequate investment returns. There may of course be voices arguing that national prestige or strategic military considerations alone justify maritime engagements, but then we shift the argument onto another level on which neither I as a private shipowner, nor Intertanko as an organisation of independent tanker owners can contribute usefully — this field we gladly leave to the politicians.

Cooperation in shipping can take many forms and need not be limited to the concept of "joint ventures," which suggests a formalised structure in which the interests of respective parties are properly safeguarded and their rights and obligations legally prescribed in great detail. A great many normal business transactions constitute "cooperation", even though both parties would see them as nothing else but attractive commercial propositions. In this area we probably do in fact often run the risk of reading too much into the terminology, or alternatively seek reassurance by elaborate nomenclature, or demand special schemes publicly to demonstrate our good faith and our achievements. "Technology transfers", "development assistance", "project finance", "management training" are all slogans which sound impressive but sometimes only hide the failure of normal commercial activity behind the façade of bureaucratic respectability. One explanation why it is so difficult to get good descriptions of successful shipping ventures between the developed and the developing world, or why they are not publicised, is that the parties want to keep their agreements and operations out of the limelight for good commercial

reasons. Another reason is that the need to arrange each venture to suit individual circumstances makes generalisations difficult if not meaningless, and therefore the formulation of recipes risky.

What are normally clearly identifiable are the absolute hurdles to cooperation — tight restrictions imposed by legislation and/or administrative procedures — and no businessman worth his salt will waste time pondering about them; instead he will try to make them "relative" obstacles by finding a way around them.

However, since I have been asked to set the scene for the following presentations and discussions, it may be useful to let you have my personal but very generalised checklist on the items I think are essential for the contemplation and effective realisation of joint ventures in shipping (in the broad sense I would like this term to be understood), if only to give my colleagues on the panel a chance to disagree with me!

Firstly, and I repeat myself, both parties must realise that there are no shortcuts to success. This applies however conducive the operational environment (in which I would include legislative, fiscal, manpower and technical conditions), or however strong the political support. Effectiveness in shipping depends on the full understanding of the complexities involved in acquiring, managing, and employing a ship, and no amount of easy finance, plentiful supply of labour, or cargo availability will alter the fact. No doubt you can think of appropriate examples to obviate the need for me to illustrate this point. Equally, where joint ventures are entered into simply because one party thought of using the other as such a shortcut, they will also not last very long. Joint ventures must have as a base not only the preservation of the respective interests of the parties but the conviction that cooperation is supported by a communality of interest. This in turn presupposes a certain equality in the contributions the parties can bring to the common enterprise, although these obviously need not be of the same kind in fact in the context of our discussions they will most likely be very different

Secondly, there must be a suitable environment which facilitates joint operations. This of course brings us back into the political and legal arenas. We could spend hours debating the merits or demerits of particular legal institutions, tax incentives, flag benefits, other financial opportunities without at the end being able to produce a set-up that is not so idealistic as to be impractical for most applications. The parties themselves and their legal and financial advisers will have to do their homework, and should be prepared to abandon a scheme if there arise serious doubts about its foundations. When management needs to worry all the time about staying within the right side of the law, it will not be able to cope as successfully with the existing business challenges, with predictable results. I think I should remind you that in shipping individual relationships still play a prominent role. It is important also that the parties contemplating joint ventures are to a large extent compatible. The inability to reach decisions because of personality conflicts, cultural differences or other internal squabbles will clearly not help in achieving greater profitability for the joint undertaking.

Thirdly, the parties must each know what they are talking about, and a degree of professionalism in the human element involved in any joint venture is essential. Where this is not present, or not yet present, the parties would be well advised to be less ambitious and either restrict themselves to the necessary educational effort (without any real thought of commercial reward), or look for partners with an equal level of expertise to retain a better balance of negotiating power. It may sound harsh or unkind to say that one of the parties is not fully proficient, even though it may not necessarily be fully aware of this; the fact remains that not all parts of the world have so far enjoyed the same prosperity and standards of living and education, and differences do exist. Rather than making the mistake of being overconfident, the situation should be openly analysed and the joint efforts proposed be fully in line with the available competence, while setting up ways and means of developing the existing potential to the fullest. In other words, where joint ventures are contemplated between parties of markedly different technical or professional backgrounds, their operational scale and the ambitions of both partners should reflect

this difference and be content with satisfying the basic needs.

Crew and management training is an obvious example. Great things will then come more easily later.

Fourthly, there must be an essential complementarity in the respective input by the partners. You will say this must be self-evident; still one does notice occasions when this postulate seems not to have been heeded. I have personally been approached with proposals for joint efforts which on review revealed that my organisation was meant to do all the donkey work for only a half share or less of the eventual profits, and even then I had to be careful sometimes in phrasing my refusal!

Fifthly, joint shipping undertakings to be successful must be built on mutual trust. This is not to say that each partner can take the other's word for granted nor that there is no need for normal commercial procedures. In fact, joint ventures might require an even greater degree of arm's length dealing among the partners than with outsiders. What is necessary is a consensus in outlook and in operating practices which has to be shared by all levels of management, or the stresses of the daily shipping crises will soon create a gap wide enough to swallow the joint edifice. The mutual trust of the partners must be publicised effectively to the outside and become contagious also to the financiers, business partners and governmental authorities with whom the joint venture is dealing. It is not an easy thing to achieve but in my mind this is the most important aspect of any joint venture which will solve a great number of other apparent incompatibilities and which, if absent, will doom any common enterprise to failure even when the other criteria are present that should make it a success. I do not personally believe (and I consider my own Group and other Intertanko members have put this to the test) that there are insuperable problems in joint ventures involving partners from different locations, of different size, or of different economic

backgrounds. In actual fact, such differences do not only likely strengthen the complementarity of the parties' input, but will be the type of joint undertaking most needed in the immediate future to bridge the North-South gap.

Finally, any joint venture in shipping must have a clear centre for decision-making and vessel management which the parties must agree on from the start and support throughout its existence. Any doubts about organisational authority for policy formulation and administrative affairs will slow the response-capability of the venture, will likely increase the risk of internal conflict, and aggravate any external pressures bearing on it. It is a question of the individual situation as to who is best suited to provide ultimate management, and no hard and fast rules can be suggested as objective criteria for selection; however, in many instances the lack of attention paid to this problem has produced unnecessary difficulties, while of course in other cases the choice is a natural one in following the proven expertise of one of the partners. Where government agencies are involved as joint venture parties with private interests it is also often necessary to determine in advance the official lines of communication and responsibility and to identify the functionaries actually in a position to authorise action promptly. I cannot overemphasise the importance of quick decision-making in the shipping business, and the necessity to build a structure that allows for this. Where complicated bureaucratic procedures need to be followed under existing legislative or administrative rules to obtain approvals for even routine decisions, arrangements should be made to provide special facilities to suit the needs of the management in the joint enterprises, bearing in mind that in the competitive world of shipping to be successful means to be as good as the next owner without such handicaps. The degree of commitment to shipping ventures by governments and their agencies can often be measured by the flexibility they show in streamlining their own processes. It can be accomplished, and I have seen a number of examples where it has been done even in countries not otherwise renowned for their administrative efficiency.

So much for what I consider self-evident guidelines for the establishment of all joint ventures, and particularly those bringing together partners from rather different social and economic backgrounds. You will have to forgive me for not having gone into greater detail but I am always afraid that too many technicalities create a risk of losing sight of the essentials, and in our case the specifics cannot in any event be applied universally.

One overriding problem we face today in shipping generally, and which affects not only newly emerging shipping operations but even those in established shipping centres, is the multitude of regulations promulgated in recent years by IMCO as well as by individual countries in the technical field. I have already mentioned Intertanko's total support for improved safety on vessels, but we are rather worried about the frequently haphazard way in which the new rules are put into practice. This is often caused by the lack of adequately experienced government personnel to administer the new rules locally, and can result in as much market distortion or discrimination as legal measures designed specifically to provide protected markets for certain types of tonnage. We must of course accept that the costs of providing things like improved port facilities and inspection systems, slop reception stations or contingency equipment to deal with pollution incidents are substantial, and that many developing countries may therefore not really consider them as top priorities - given the need to adjust national economies to absorb for example the energy price shocks, or to cope with other urgent infrastructural developments. A better North-South dialogue seems necessary at times before the rush into the prescription of improved technical standards, to ensure that the new rules can be applied everywhere. Shipping does not easily separate into small parcels to suit individual differences in the local conditions, but must be treated on a truly global and uniform basis. Better communication between various United Nations agencies should also be encouraged (for shipping especially between UNCTAD, IMCO and ILO) so that the programmes of one do not run counter to the aspirations of the other, cause duplication or inconsistency, and thereby increase the cost of compliance without assuring commensurate benefits to the end-consumers. ICC here again can play a vital informative role to convey practical suggestions from

the business community to governments around the world and through them to the international agencies. There has been too much politicalisation lately of discussions which by and large should have been dealt with on a limited technical basis; there have been too many proposals not fully supported by comprehensive cost-benefit analyses, or by studies into the macro-economic effects of any decisions to be reached. The case has in my opinion not been proven that the present organisation of the bulk shipping markets produces identifiable and measurable disadvantages or that free-flag operations do in fact limit the growth of shipping operations in the developing world (empirical evidence suggests that the opposite has happened, with emerging nations' fleets growing faster than those in traditional maritime countries). I believe that all nations should be satisfied in noting the dramatic increase in the world bulk trade during the past few decades at substantially reduced costs to their shippers, and concentrate individually on promoting whatever shipping aspirations there may be within their confines (as register states, as fleet operators, as service or management bases, as suppliers of seafarers, as shipbuilders and shiprepairers) rather than wait for the uncertain outcome of longwinded international debates on these subjects. In this connection it was interesting to learn that Sri Lanka had decided to establish a shipping register that welcomes non-nationals; that despite many years of promotion, a separate Hong Kong register has not been found feasible although the UNCTAD "link theory" should favour one; that countries like China, Korea or the Ivory Coast make determined efforts to enlarge their ownership and fleets and also try to take a larger share of the cross-trades; that many raw-material producing developed countries have either reduced their original targets for fleet growth and size or have seen their existing tonnage shrink substantially — all developments that seem to be moving contrary to the arguments advanced in UNCTAD.

Let me conclude by saying that economic reality is like a tide that will at the end always breach even the most carefully planned political dams put in its way; I am therefore arguing that rather than spending our time fruitlessly plugging the holes, we should work together to harness the power of the tide for the benefit of all of us — those who provide the service as well as those who use it, which in shipping means literally every consumer in the world.

Thank you, Mr. Chairman



CF

RH

cfc

Hof
Kof

10 DOWNING STREET

THE PRIME MINISTER

5 August 1981

Dear Sir Yue-kong,

Many thanks for your letter of 28 July. I too enjoyed our talk.

It was kind of you to offer to help with my China trip, I will certainly bear this in mind when completing the arrangements.

Yours sincerely

Margaret Thatcher

Sir Yue-Kong Pao CBE LLD JP

Sir Yue-Kong Pao C.B.E., LL.D., J.P.

WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

28th July, 1981.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

9/8 RS
L3/8

My dear Prime Minister,

Thank you sincerely for sparing the time from your heavy schedule to receive me in your office on 17th July. It is always a pleasure to talk with you and, needless to say, I always consider this a great privilege.

I followed with interest the Economic Summit at Ottawa and was pleased to read about your sympathetic support of the line the United States takes in her economic policy. This cannot but be viewed as a sensible move.

As all nations, Britain has her share of economic woes but I have no doubt that the situation will gradually improve under your capable leadership and your policy. It is perhaps inevitable that the falling oil price and on-going global recession will continue to bring some adverse impact and I personally feel that the nation's primary concern should still be productivity-related so as to achieve and retain a competitive edge in the world markets for British products.

I was glad to hear that your China trip is shaping up well and hope very much to know your schedule when it is finalized. If I can assist in any way through my own associations with China, I will be most pleased to do so.

Once again my warm thanks and kindest regards,

yours sincerely
J. K. Pao



10 DOWNING STREET

From the Private Secretary

17 July 1981

As you know, Sir Y.K. Pao called on the Prime Minister this morning. He was accompanied by his son-in-law, Mr. Sohmen.

There is only one point which came up during the discussion which is worth recording. The Prime Minister said that she might be planning a trip to China in 1982; if this visit came off, she would of course visit Hong Kong as well. Sir Y.K. said that he very much welcomed this. He also mentioned that his company were building a ship in a Chinese shipyard, and he would very much welcome it if the Prime Minister could "name it". The Prime Minister said that she would bear this in mind.

I. P. LANKESTER

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

SW

copy for WPS on 026114

H.K.G.D.

cc PS
Mr Donald
FED

13

HKU 026 119.



10 DOWNING STREET

17 July 1981

see
20 July

From the Private Secretary

Mr. McQuay ^{20/7}
Mr. Fisher ^{noted}
Mr. Seale on P.U. 1 Jan 82
if not my before. ^{20/7}

Dear Roderic,

As you know, Sir Y.K. Pao called on the Prime Minister this morning. He was accompanied by his son-in-law, Mr. Sohmen.

There is only one point which came up during the discussion which is worth recording. The Prime Minister said that she might be planning a trip to China in 1982; if this visit came off, she would of course visit Hong Kong as well. Sir Y.K. said that he very much welcomed this. He also mentioned that his company were building a ship in a Chinese shipyard, and he would very much welcome it if the Prime Minister could "name it". The Prime Minister said that she would bear this in mind.

[Handwritten signature]

Tim Laker.

Barnard L.A.
Asst. Secy
John Adams
Secy
Branch 3

Registry
cc SPD (DOT)

MAS
21/7

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

SECRET

5 NOV 1987



SECRET

SECRET

SECRET

SECRET

SECRET

Hong Kong



Foreign and Commonwealth Office

London SW1A 2AH

15 July 1981

Dear Michael,

Sir Y K Pao

I enclose briefing for Sir Y K Pao's call on the
/ Prime Minister on 17 July. The sections on UNCTAD, Shipbuilding
/ and the bulk market were supplied by the Departments of Trade
and Industry. I attach also a biographical note on Sir Y K Pao.

Sir Y K Pao wrote to the Prime Minister on 18 May enclosing
/ a copy of a speech he made to the Foreign Correspondents' Club
in Hong Kong. I attach a copy of this and a copy of the
Prime Minister's reply.

Sir Y K Pao has recently visited Washington, where he met
President Reagan, and Peking, where he met Chinese leaders.
The latter discussions touched on shipping and shipbuilding
matters but did not this time include the question of Hong
Kong's future.

yours ever

Roderic Lyne

(R Lyne)
Private Secretary

M O'D B Alexander
Private Secretary
No 10 Downing Street

COVERING SECRET

PRIME MINISTER'S MEETING WITH SIR Y K PAO :
10.30 AM ON FRIDAY, 17 JULY 1981

POINTS TO MAKE

FUTURE OF HONG KONG

1. Read your speech with interest. Share your belief in continued prosperity of Hong Kong. Important to maintain confidence.

UNCTAD COMMITTEE ON SHIPPING (Defensive)

2. Outcome of recent Special Session disappointing but not unexpected. Remains to be seen what will become of Group of 77's proposals.

SEPARATE HONG KONG REGISTER

3. Separate Hong Kong register not in our or Hong Kong's interest. Would only draw further unjustified accusations from UNCTAD that Hong Kong is itself a 'flag of convenience'.

SHIPBUILDING

4. Recent order for DS14s most welcome. Hope it will be first of many.

5. (If asked) In principle, Her Majesty's Government is prepared to make Intervention Fund grants available to help yards quote more competitively.

BULK MARKET

6. Share concern at depression in bulk market. Grateful for views on future developments.

COVERING SECRET


SECRET

ESSENTIAL FACTS

Future of Hong Kong

1. Sir Y K Pao addressed Foreign Correspondents' Club in Hong Kong on 12 May. He expressed satisfaction with the assurances given by Chinese leaders that investors in Hong Kong need not fear for the future. Saw this as proof of China's intention to preserve the status quo in Hong Kong. Played down question of the New Territories lease.
2. Sir Y K's statement is helpful. Chinese Government are clearly not yet ready to discuss problem in substance. Confidence must be maintained meanwhile. Lord Carrington explained in Peking in April need eventually to meet the legal problem that British powers of administration in New Territories expire in 1997.

UNCTAD Committee on Shipping

3. Sir Y K Pao is Chairman of INTERTANKO (International Association of Independent Tanker Owners) and head of World-Wide shipping group, with large fleet mainly registered in Liberia. Thus supports open registries. This matches UK interest as a cross-trader in keeping shipping markets open, and in freedom to register ships on own terms. We believe that maritime safety should be pursued in its own right, not by attacking open registries.
4. At recent Special Session of the UNCTAD Committee on Shipping, developing countries ('Group of 77') and communist bloc voted through a resolution aimed at international agreement requiring an 'economic genuine link' between vessel and state of registry. UK voted against, as did all but three OECD countries.

/Separate

SECRET

SECRET

- 2 -

Separate Hong Kong Register

5. In context of UNCTAD attacks on open registries, Sir Y K Pao has publicly suggested separate Hong Kong register. At present Hong Kong is a port of registry under the British flag on same lines as London or Liverpool. His aim is to make it possible to employ either non-British certificated officers on Hong Kong registered ships. Would allow some flag of convenience ships to move to Hong Kong register. Hong Kong's marine administration do not have resources to cope with any major expansion of register. [Not for use] Moreover under present law, impossible to set up separate Hong Kong register under British flag.

Shipbuilding

6. Since 1960's Sir Y K's company has obtained majority of new vessels from Japanese yards. Two reasons. First, Japanese yards offer prices and deliveries which are difficult to match. Second, World-Wide's normal policy has been to order ships only against specific long-term charter commitments by third parties. Japanese companies more prepared than most to accept this. Sir Y K has suggested similar charter deals with the UK but British Shipbuilders were unable to attract sufficient interest from companies like BP or the BSC.

7. However, in January 1981 Sir Y K placed a £23 million order for 4 general cargo vessels with British Shipbuilders' subsidiary Austin and Pickersgill. His first order in UK for some time. Intervention Fund grants enabled Austin and Pickersgill to quote competitive price. Vessels due for delivery in 1982.

Bulk Market

8. Bulk market depressed due to recession and resultant decline in seaborne trade. Little hope of short term recovery, especially in oil-tanker market. Problems in small tanker market could be met by scrapping

/elderly

SECRET



SECRET

- 3 -

elderly ships. Decline in dry bulk carrier and combined carrier markets, where new ordering is high, would only be arrested by recovery of industrial production. Meanwhile, special factors such as USSR's grain requirements could help.

15 July 1981

Hong Kong and General Department

Foreign and Commonwealth Office

SECRET

SIR YUE-KONG PAO CBE LLD JP

Born 1918 Zhejian Province, China. Educated Shanghai and went into banking. Took refuge in Hong Kong in 1949, entering import/export business. Purchased first ship in 1955 and formed World-Wide Shipping Group, now the world's largest independent, of which he is Chairman and President.

Banker by origin and instinct, remains a Director of Hongkong and Shanghai Banking Corporation. Takes keen interest in Intertanko (representing 80% of world's independent tanker tonnage) of which he is Chairman. Rumoured to be trying to bring dry bulk tonnage under the wing of Intertanko which would give it even greater influence. Recently joined Hong Kong Shipowners Association but stands aloof from Liberian Shipowners Association although most of his fleet flies Liberian flag.

Guest of President and Mrs Marcos at UNCTAD V. Invited to President Reagan's Inauguration. On visiting terms with Chinese leadership where a cousin is Minister of Tourism. (Has \$50 million shipping joint venture with China). Frequent contacts with British Ministers and called on Prime Minister in June 1979 and November 1980.

CBE 1976. Knighted 1978.

Married, four daughters.



13

10 DOWNING STREET

THE PRIME MINISTER

29 May 1981

Dear Sir Yue,

Thank you for your letter of 18 May — Action A
and for the enclosed copy of your talk to
the Foreign Correspondents' Club. I have
read your speech with great interest.

Particularly enjoyed your full-hearted
support of the free enterprise system and
your great sense of optimism and
faith in the future of Hong Kong.

Warm regards,

Sir Yue-Kong Pao, C.B.E.

Yours sincerely

A

Sir Ye-Kong Pao CBE, LL.D., JP.

WORLDWIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

18th May, 1981.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

Dear Prime Minister,

I have pleasure in sending you for your possible interest a copy of my recent talk at the Foreign Correspondents' Club here, giving a few personal viewpoints on the future of Hong Kong.

With kindest regards,

*Yours sincerely,
Y. K. Pao*

Encl.

Speech given by Sir Yue-Kong Pao, C.B.E., LL.D., J.P., Chairman of
World-Wide Shipping Group at the Foreign Correspondents' Club on 12th May, 1981.

I must first of all thank Mr. Donald Wise, your President, for his introduction. It is always a pleasure to be with you all. Since I spoke to you last I know you have not been idle and I have also done a few more things — enlarged the tonnage of my group, entered into a joint venture with China and involved myself a little bit in the real estate business. However I must disappoint those of you who expected me to talk specifically about the Hong Kong property market. Let's just say that I am too fresh in the game to feel confident enough to give you any advice !

This is not to say that I am not interested in the subject. Next to shipping, the property business is the most exciting game, and I am certainly not exaggerating when I say that it is an essential ingredient in the spectacular economic development of Hong Kong. As our population grows, and more industrial and commercial expansion takes place, so land becomes more precious, and clearly not only local investors are aware of that fact.

Questions concerning investment in Hong Kong are being more and more often discussed in the shadow of the approaching year 1997. Despite the very explicit statements by the Chinese leadership on this point — the latest verbal assurance being made by Vice Chairman Deng Xiaoping to British Foreign Secretary Lord Carrington during his recent visit to Beijing, there is still much concern and pressure for formal guarantees about the future. Personally, I tend to believe that the Chinese Government has already done much by stressing repeatedly, in words and in actions, that while there is disagreement over the treaty position in strict legal terms, this need not interfere with the practical side of Hong Kong's status both now and after 1997.

However, given the anxiety in some quarters to see a formal settlement of the territorial questions, I believe it may be likely that some ways can be found to overcome the seemingly intractable, if, in my view, peripheral differences and to give legal recognition or expression to the intentions on both sides. If that can be done, so much the better, though personally I am satisfied with the concern and interest expressed recently by both governments in preserving Hong Kong's status quo far into the future, and believe that there is no apparent reason for the almost obsessive preoccupation with a date which is, let us face it, still 16 years away.

Simply put, much shorter time spans would personally worry me more in other countries where investment interest may currently be buoyant and seemingly not worried about factors that could still potentially put investors seriously at risk.

Let me just mention recent experiences in Iran and ask how many among you skilled observers is able to forecast with any degree of confidence that there will be no fundamental changes in countries which do not now seem to suffer from any afflictions, economic or calendarwise ? I would therefore suggest that we re-orient our thinking into an acceptance of the position as it is today and no longer worry unnecessarily about 1997. By so doing we can ensure that we maintain an environment in Hong Kong which inspires the kind of confidence traditionally placed in the territory. This in turn can provide the basis for the benefits Hong Kong can offer to China, and thus better guarantee its future.

I am reminded here of the poem entitled "Hong Kong" written by the "poet laureate" Ai Qing and published in "Ren Min Ribao" on 28th March, 1981. It may be of significance that while the poem was written back in August 1980 and revised on 21st February, 1981 it was only published on the eve of Lord Carrington's visit to China. The poem concludes with these lines which read (in free translation) :-

You're the main artery of entry and exit for the motherland;
You're the marketplace where goods are freely exchanged;
You're the conveyor belt, bringing goodwill and friendship;
You're the bridge that reaches towards the four seas and
the five continents;
For many years you have served the motherland,
creating for her
Sources of inestimable wealth.

Frankly, I wish we could have similar sentiments expressed for other places especially in poetry to depict an understanding of the advantages available in maintaining the status quo. I would feel relatively more assured by such poems than by a large volume of statistics, professional analyses or diplomatic exchanges labouring the point. On 8th April a local newspaper published an editorial on this subject under the title "A Comfortable Seat

on a Razor's Edge" in which it was pointed out that part of our success may be attributable to the very fact of Hong Kong's unsettled existence - providing a risk and a gamble and therefore a faster pace and a more desirable place to invest in. I do not agree because, cautious as I am, I think I might prefer an uncomfortable seat in an armchair - uncomfortable enough so as not to sit all the time becoming complacent, but at least broad enough so as not to get hurt every time I have to sit down, and warm enough to make me feel at home.

We have come a very long way in Hong Kong from being first a somewhat romantic if harsh outpost of the empire and then a railway station for many people whose arrival was not always voluntary and who contemplated an only transitory existence in the territory on the way to more attractive pastures. Hong Kong is different today : it has become a true home and a base also for the millions of immigrants who have arrived in the last three decades and whose children are willingly staying here or are happily returning after studies abroad to make a living. Hong Kong today offers business opportunities not easily matched elsewhere and while we all like to bemoan the worsening quality of life, we must also admit that more affordable opportunities have been created as a compensation.

One reflection of the general feeling that despite all the talk about 1997 Hong Kong is going to survive beyond that date is the ongoing expansion of investment in Hong Kong. In this connection, I suppose some of you may be curious about my taking an interest in a certain local property company. Let me tell you that the acquisition did not happen because I wanted to do battle with the traditional old "Hongks", as matters were dramatised at the time, but simply because, like so many others in Hong Kong, I am committed to the territory's future. That there is a shift in control from one sector or from one group to another signifies nothing more than that commercial success needs to find outlets. In that respect, the acquisition by say Hong Kong textile, shipping, or banking firms of assets or of whole enterprises in other countries also only reflects the extent of the economic power that has been built up in Hong Kong and with which we are now entering the league of some of the largest multi-national businesses.

I hesitate to say too much before this audience about the reasons for Hong Kong's success. You all know the environment well enough yourselves. Let me then just say that we owe much to the excellent leadership provided in the past difficult decade by our Governor who, sadly, will be leaving us in about a year, and by other senior officials who all well understand the importance of both the political and the economic factors which provide Hong Kong with its great opportunities and with its restraints. The open market economy has served us well and we probably have gained more admirers than critics over the years. On the other hand, we must not rest on our laurels but need to keep the momentum going both in business and in government to insure that social stability is maintained and that we remain fully responsive to the demands imposed on our facilities by the rapid population growth, the increased trade, the greater sophistication of the next generation and also by the fact that Hong Kong is so frequently caught in the crossfire of other people's battles.

While success feeds on itself it also attracts attention. You no doubt all know about the problems caused by the MFA (Multi-fibre agreement) and you may have heard how Unctad, a United Nations agency based in Geneva, is promoting a "New International Economic Order". Well, two of their recent proposals on cargo sharing in the bulk trades and on the phasing out of the so-called open registries, (sometimes also known as "Flags of Convenience") - particularly affect Hong Kong shipowners and also have become one of my pet concerns as Chairman of INTERTANKO, the International Association of Independent Tanker Owners. Coming from Hong Kong having been brought up in a free enterprise system and being engaged in an international business, it is particularly difficult for me to understand the logic which seems to believe that the best way to utilise scarce resources is by the elimination of competition and the establishment of barriers to entry and to trade in an industry.

Protectionist measures are an admission of failure at the best of times, but when they are applied to an industry which has proven its efficiency, economy, and resilience many times over and which is one of the few left exhibiting a high degree of competitive behaviour, one must really ask whether political slogans have completely clouded economic reality. The phasing out of open registries betrays a parallel desire to close outlets which through their operation have demonstrably produced lower transportation costs for world trade and provided job opportunities for many seafarers especially from developing countries. The open registries

are suspect simply because they are encumbered with relatively fewer regulations than the more traditional flags. It is interesting to note that the reaction to the phasing out ideas is not only coming from the people who now use Flags-of-Convenience (and therefore naturally have a vested interest) but also from shipping interests in traditional maritime countries who have found that flagging out is sometimes the only viable alternative to going out of business !

Unctad's efforts are ostensibly directed toward helping the developing world. In shipping, the developing world has, surprisingly, done very well and INTERTANKO studies have shown that the annual growth rates for tanker fleets in the 10 largest third world maritime nations have been 17.6 per cent on average for the period 1970-80. This compares with annual growth rate of 12.3 per cent for Liberia and Panama and of 7.5 per cent for the 10 largest developed countries. Of course these figures must be seen in the context of the relatively small starting base for the developing countries, but the record is nevertheless impressive and defeats the Unctad argument that the third world is prevented from expansion in the maritime industries by the economic power in the hands of the shipowners and cargo interests in the developed countries, and that rectification can only come via a cumbersome and artificial market-sharing programme which would destroy the flexibility of the spot market, and which through the creation of idle capacity, will result in much higher transportation costs for everybody.

I hope I have given you some food for thought on a number of not necessarily fully related subjects. Let me just summarise by again stating my principal beliefs :-

- 1) I think Hong Kong has a role to play for much longer than the next 16 years provided we are all aware of our responsibilities to try and maintain a progressive, socially stable and economically prosperous environment in the territory;
- 2) I believe not only in the excellence but in the wisdom of the Hong Kong Government, albeit non-elected, to pursue a course of pragmatic and liberal economic policies and to continue to recognise the needs of a more sophisticated urban population;
- 3) I believe that as time goes on there will be more effort in other countries to imitate the example of Hong Kong, and while I am conscious that one cannot easily transplant the totality of factors which augur success, a good case can be made for the possibility of exporting some of the ingredients of Hong Kong's achievements. As a result, I believe that Hong Kong interests must and will expand further internationally by direct acquisitions and participations, in both developed and developing countries, and that they will fight for the right to do so whenever obstacles are put in the way;
- 4) And finally, I also believe in the logic of freedom for shipping, as well as in ultimate acceptance thereof by its present-day critics.

With these statements of personal belief let me end my talk and thank your President once more for this opportunity of speaking here.

Thank you very much.

It appears that the officials in Unctad and in some of the countries supporting its aims on the shipping front have lost a bit of steam lately. This is partially due to the strong stand taken by the industry itself. We have in our turn proposed positive and well publicised alternatives to encourage shipping in the developing countries on a private industry basis which we believe will work better and cope without the cost of subsidies and unnecessary market constraints. While the battle is not yet over, I think we have generated more of an awareness in official circles that there is so much complexity in international shipping that it might really be smarter to let supply and demand in a free market do the regulating for optimum effect. Speaking in Hong Kong, all this may sound like good common sense to you, but I can assure you that while Hong Kong's style of doing business is being admired in some quarters, it does not yet seem to be generally known that on top of an encouraging political environment it also takes hard work and skill to make some thing out of nothing!

MFJ

BF 16-7-87

23 June 1981

The Prime Minister has agreed to see Sir Y.K. Pao on Friday 17 July at 1030 at No.10.

Could you please prepared a short brief to reach this office by close of play on Thursday 16 July.

CS

Christopher Jebb Esq
Foreign and Commonwealth Office

GR

Sir Yue-Kong Pao C.B.E., LL.D., J.P.

Red C 23/6
R 19/6

CF PRS

WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

Miss Stephens:
Will you please?

Am

16th June, 1981.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

①

Bonnie Munter
There should be no difficulty about
fitting him in. Agree?

Dear Prime Minister,

Yes not

Am

Thank you very much for your kind letter of 29th May, 1981
and for your favourable remarks on my talk at the Foreign
Correspondents' Club.

I just returned from Washington, D.C. where it was my
pleasure to visit President Reagan on 12th June at his
office. In our 20-minute conversation, free enterprise
was the predominating topic and I was impressed by the
way he strongly supported the principles which are also
so prominent in your thinking. He mentioned what a great
admirer he is of you personally and how much he supported
all that you stand for on the political front.

I am scheduled to be in London between 15th and 17th July
(immediately following another business trip to Beijing)
and do hope that you may find it possible to again spare
me a few minutes, as I know you take an interest in the
Chinese situation and what transpires there. If there is
such a possibility, I would be grateful if your office
could contact my London company, Marine Navigation Co. Ltd.,
Tel. 01-583 1510 (Mr. H. Sohmen).

Once again my thanks and warmest regards,

yours sincerely
Y. K. Pao

19 May 67

1957

CF



cc: fco
Hong Kong

10 DOWNING STREET

THE PRIME MINISTER

29 May 1981

Dear Sir Yue,

Thank you for your letter of 18 May and for the enclosed copy of your talk to the Foreign Correspondents' Club. I have read your speech with great interest -

I particularly enjoyed your full-hearted support of the free enterprise system and your fresh sense of optimism and faith in the future of Hong Kong.

Warm regards,

Sir Yue-Kong Pao, C.B.E.

Yours sincerely

Margaret Thatcher

85

File

ds

27 May 1981

I enclose, together with its attachment, a copy of a letter which the Prime Minister has received from Sir Y.K. Pao. I imagine that the Department are already well aware of what Sir Y.K. Pao had to say. The Prime Minister has sent Sir Y.K. Pao a brief acknowledgement.

MODBA

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

DSG

Sir Yue-Kong Pao C.B.E., LL.D., J.P.

WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

18th May, 1981.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

Dear Prime Minister,

I have pleasure in sending you for your possible interest a copy of my recent talk at the Foreign Correspondents' Club here, giving a few personal viewpoints on the future of Hong Kong.

With kindest regards,

Yours sincerely
Y. K. Pao

Encl.

I must first of all thank Mr. Donald Wise, your President, for his introduction. It is always a pleasure to be with you all. Since I spoke to you last I know you have not been idle and I have also done a few more things — enlarged the tonnage of my group, entered into a joint venture with China and involved myself a little bit in the real estate business. However I must disappoint those of you who expected me to talk specifically about the Hong Kong property market. Let's just say that I am too fresh in the game to feel confident enough to give you any advice !

This is not to say that I am not interested in the subject. Next to shipping, the property business is the most exciting game, and I am certainly not exaggerating when I say that it is an essential ingredient in the spectacular economic development of Hong Kong. As our population grows, and more industrial and commercial expansion takes place, so land becomes more precious, and clearly not only local investors are aware of that fact.

Questions concerning investment in Hong Kong are being more and more often discussed in the shadow of the approaching year 1997. Despite the very explicit statements by the Chinese leadership on this point — the latest verbal assurance being made by Vice Chairman Deng Xiaoping to British Foreign Secretary Lord Carrington during his recent visit to Beijing, there is still much concern and pressure for formal guarantees about the future. Personally, I tend to believe that the Chinese Government has already done much by stressing repeatedly, in words and in actions, that while there is disagreement over the treaty position in strict legal terms, this need not interfere with the practical side of Hong Kong's status both now and after 1997.

However, given the anxiety in some quarters to see a formal settlement of the territorial questions, I believe it may be likely that some ways can be found to overcome the seemingly intractable, if, in my view, peripheral differences and to give legal recognition or expression to the intentions on both sides. If that can be done, so much the better, though personally I am satisfied with the concern and interest expressed recently by both governments in preserving Hong Kong's status quo far into the future, and believe that there is no apparent reason for the almost obsessive preoccupation with a date which is, let us face it, still 16 years away.

Simply put, much shorter time spans would personally worry me more in other countries where investment interest may currently be buoyant and seemingly not worried about factors that could still potentially put investors seriously at risk.

Let me just mention recent experiences in Iran and ask how many among you skilled observers is able to forecast with any degree of confidence that there will be no fundamental changes in countries which do not now seem to suffer from any afflictions, economic or calendarwise ? I would therefore suggest that we re-orient our thinking into an acceptance of the position as it is today and no longer worry unnecessarily about 1997. By so doing we can ensure that we maintain an environment in Hong Kong which inspires the kind of confidence traditionally placed in the territory. This in turn can provide the basis for the benefits Hong Kong can offer to China, and thus better guarantee its future.

I am reminded here of the poem entitled "Hong Kong" written by the "poet laureate" Ai Qing and published in "Ren Min Ribao" on 28th March, 1981. It may be of significance that while the poem was written back in August 1980 and revised on 21st February, 1981 it was only published on the eve of Lord Carrington's visit to China. The poem concludes with these lines which read (in free translation) :-

You're the main artery of entry and exit for the motherland;
You're the marketplace where goods are freely exchanged;
You're the conveyor belt, bringing goodwill and friendship;
You're the bridge that reaches towards the four seas and
the five continents;
For many years you have served the motherland,
creating for her
Sources of inestimable wealth.

Frankly, I wish we could have similar sentiments expressed for other places especially in poetry to depict an understanding of the advantages available in maintaining the status quo. I would feel relatively more assured by such poems than by a large volume of statistics, professional analyses or diplomatic exchanges labouring the point. On 8th April a local newspaper published an editorial on this subject under the title "A Comfortable Seat

on a Razor's Edge" in which it was pointed out that part of our success may be attributable to the very fact of Hong Kong's unsettled existence - providing a risk and a gamble and therefore a faster pace and a more desirable place to invest in. I do not agree because, cautious as I am, I think I might prefer an uncomfortable seat in an armchair - uncomfortable enough so as not to sit all the time becoming complacent, but at least broad enough so as not to get hurt every time I have to sit down, and warm enough to make me feel at home.

We have come a very long way in Hong Kong from being first a somewhat romantic if harsh outpost of the empire and then a railway station for many people whose arrival was not always voluntary and who contemplated an only transitory existence in the territory on the way to more attractive pastures. Hong Kong is different today : it has become a true home and a base also for the millions of immigrants who have arrived in the last three decades and whose children are willingly staying here or are happily returning after studies abroad to make a living. Hong Kong today offers business opportunities not easily matched elsewhere and while we all like to bemoan the worsening quality of life, we must also admit that more affordable opportunities have been created as a compensation.

One reflection of the general feeling that despite all the talk about 1997 Hong Kong is going to survive beyond that date is the ongoing expansion of investment in Hong Kong. In this connection, I suppose some of you may be curious about my taking an interest in a certain local property company. Let me tell you that the acquisition did not happen because I wanted to do battle with the traditional old "Hongks", as matters were dramatised at the time, but simply because, like so many others in Hong Kong, I am committed to the territory's future. That there is a shift in control from one sector or from one group to another signifies nothing more than that commercial success needs to find outlets. In that respect, the acquisition by say Hong Kong textile, shipping, or banking firms of assets or of whole enterprises in other countries also only reflects the extent of the economic power that has been built up in Hong Kong and with which we are now entering the league of some of the largest multi-national businesses.

I hesitate to say too much before this audience about the reasons for Hong Kong's success. You all know the environment well enough yourselves. Let me then just say that we owe much to the excellent leadership provided in the past difficult decade by our Governor who, sadly, will be leaving us in about a year, and by other senior officials who all well understand the importance of both the political and the economic factors which provide Hong Kong with its great opportunities and with its restraints. The open market economy has served us well and we probably have gained more admirers than critics over the years. On the other hand, we must not rest on our laurels but need to keep the momentum going both in business and in government to insure that social stability is maintained and that we remain fully responsive to the demands imposed on our facilities by the rapid population growth, the increased trade, the greater sophistication of the next generation and also by the fact that Hong Kong is so frequently caught in the crossfire of other people's battles.

While success feeds on itself it also attracts attention. You no doubt all know about the problems caused by the MFA (Multi-fibre agreement) and you may have heard how Unctad, a United Nations agency based in Geneva, is promoting a "New International Economic Order". Well, two of their recent proposals on cargo sharing in the bulk trades and on the phasing out of the so-called open registries, (sometimes also known as "Flags of Convenience") - particularly affect Hong Kong shipowners and also have become one of my pet concerns as Chairman of INTERTANKO, the International Association of Independent Tanker Owners. Coming from Hong Kong, having been brought up in a free enterprise system and being engaged in an international business, it is particularly difficult for me to understand the logic which seems to believe that the best way to utilise scarce resources is by the elimination of competition and the establishment of barriers to entry and to trade in an industry.

Protectionist measures are an admission of failure at the best of times, but when they are applied to an industry which has proven its efficiency, economy, and resilience many times over and which is one of the few left exhibiting a high degree of competitive behaviour, one must really ask whether political slogans have completely clouded economic reality. The phasing out of open registries betrays a parallel desire to close outlets which through their operation have demonstrably produced lower transportation costs for world trade and provided job opportunities for many seafarers especially from developing countries. The open registries

are suspect simply because they are encumbered with relatively fewer regulations than the more traditional flags. It is interesting to note that the reaction to the phasing out ideas is not only coming from the people who now use Flags-of-Convenience (and therefore naturally have a vested interest) but also from shipping interests in traditional maritime countries who have found that flagging out is sometimes the only viable alternative to going out of business !

Unctad's efforts are ostensibly directed toward helping the developing world. In shipping, the developing world has, surprisingly, done very well and INTERTANKO studies have shown that the annual growth rates for tanker fleets in the 10 largest third world maritime nations have been 17.6 per cent on average for the period 1970-80. This compares with annual growth rate of 12.3 per cent for Liberia and Panama and of 7.5 per cent for the 10 largest developed countries. Of course these figures must be seen in the context of the relatively small starting base for the developing countries, but the record is nevertheless impressive and defeats the Unctad argument that the third world is prevented from expansion in the maritime industries by the economic power in the hands of the shipowners and cargo interests in the developed countries, and that rectification can only come via a cumbersome and artificial market-sharing programme which would destroy the flexibility of the spot market, and which through the creation of idle capacity, will result in much higher transportation costs for everybody.

It appears that the officials in Unctad and in some of the countries supporting its aims on the shipping front have lost a bit of steam lately. This is partially due to the strong stand taken by the industry itself. We have in our turn proposed positive and well publicised alternatives to encourage shipping in the developing countries on a private industry basis which we believe will work better and cope without the cost of subsidies and unnecessary market constraints. While the battle is not yet over, I think we have generated more of an awareness in official circles that there is so much complexity in international shipping that it might really be smarter to let supply and demand in a free market do the regulating for optimum effect. Speaking in Hong Kong, all this may sound like good common sense to you, but I can assure you that while Hong Kong's style of doing business is being admired in some quarters, it does not yet seem to be generally known that on top of an encouraging political environment it also takes hard work and skill to make some thing out of nothing!

I hope I have given you some food for thought on a number of not necessarily fully related subjects. Let me just summarise by again stating my principal beliefs :-

- 1) I think Hong Kong has a role to play for much longer than the next 16 years provided we are all aware of our responsibilities to try and maintain a progressive, socially stable and economically prosperous environment in the territory;
- 2) I believe not only in the excellence but in the wisdom of the Hong Kong Government, albeit non-elected, to pursue a course of pragmatic and liberal economic policies and to continue to recognise the needs of a more sophisticated urban population;
- 3) I believe that as time goes on there will be more effort in other countries to imitate the example of Hong Kong, and while I am conscious that one cannot easily transplant the totality of factors which augur success, a good case can be made for the possibility of exporting some of the ingredients of Hong Kong's achievements. As a result, I believe that Hong Kong interests must and will expand further internationally by direct acquisitions and participations, in both developed and developing countries, and that they will fight for the right to do so whenever obstacles are put in the way;
- 4) And finally, I also believe in the logic of freedom for shipping, as well as in ultimate acceptance thereof by its present-day critics.

With these statements of personal belief let me end my talk and thank your President once more for this opportunity of speaking here.

Thank you very much.

Austin & Pickersgill Limited Shipbuilders since 1826

Henry Vernon

A MEMBER OF British Shipbuilders

P.O. BOX 38 SOUTHWICK SUNDERLAND
TYNE & WEAR SR5 2BJ
Telephone: 76100 Telex: 53118

*Rediff
2/12*



The Rt. Hon. Margaret Thatcher, MP,
10 Downing Street,
LONDON SW1.

28 January 1981
DBK/JH

Prime Minister

H.F.

RJA

MS

Dear Prime Minister,

Handwritten initials

World Wide Shipping Orders

How kind of you to write in the terms of your letter of 23rd January, which I very much appreciated, as did my colleagues.

Austin & Pickersgill has for many years given much attention to developing Greece and the Far East as its principal foreign market places and we are hoping soon to meet your expectations by announcing further orders from each area. Indeed in each of the three successive years 1980/81/82 the £50 million of ships we deliver annually will be 100% for export - an unusual record which might not be sufficient to merit a fourth Queen's Award, but of which we are nevertheless quite proud.

I note you would like to be kept informed of progress on Sir YK's four ships; it will however be about 12 months before we commence work on them.

Yours sincerely

Joseph Kimber

Chairman

DIRECTORS D. B. KIMBER, O.B.E., M.Sc. (Eng.) (Chairman), K. DOUGLAS, C.Eng., F.R.I.N.A. (Managing), G. E. ELLARD, A.C.M.A. (Deputy Managing), R. CARTER, C.Eng., F.I.Mar.E., C. D. W. LANGLEY, B.Sc., J. P. PATERSON, M.A., S. BEDGWICK, F.C.A., L. G. SHEPPARD, F. THOMPSON, N. WATSON, F.C.I.S., A.C.M.A.

REGISTERED OFFICE: BENTON HOUSE 136 SANDYFORD ROAD NEWCASTLE UPON TYNE NE2 1QE

REG No: 63669/ENGLAND



cc
D/I
DS.
HONG KONG

10 DOWNING STREET

THE PRIME MINISTER

23 January, 1981.

Dear Mr. Kimber,

I was delighted to hear that you have succeeded in securing an order for four SD14 cargo vessels from Sir Y.K. Pao's World Wide Shipping. This is a most important success which I hope will form the basis of further inroads into the Far Eastern market.

Against the background of this order, we will now be looking to Austin and Pickersgill, and indeed British Shipbuilders as a whole, to demonstrate its ability to complete its orders on time and within cost. As my colleagues have made clear, only by the most substantial and rapid improvements in productivity and efficiency can the industry secure for itself a viable future.

My congratulations to all concerned.

Please let me know how the four vessels are progressing.

Yours sincerely,

((SGD) MT

Derek Kimber, Esq., O.B.E.

/

42

file

R H

15 January, 1981

I am writing on Clive Whitmore's behalf to thank you for your letter of 13 January. I have shown the letter to the Prime Minister, and she has asked me to say that she is delighted that, partly as a result of your tour of the Far East, British Shipbuilders have now secured orders from both Sir Y K Pao and C Y Tung.

I. P. LANKESTER

Robert Atkinson, Esq
(British Shipbuilders)

ds



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/Secretary of State for Industry

15 January 1981

Tim Lankaster Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister

Dear Tim

AUSTIN AND PICKERSGILL

Order from Sir Y K Pao

I wrote to Clive Whitmore on 30 December setting out the reservations of officials here on the Prime Minister writing at that time to Mr Derek Kimber, the Chairman of Austin and Pickersgill Limited, about the above order. The Prime Minister was dissuaded from writing to Mr Kimber until the question of the Intervention Fund Grant relating to this order was settled.

2 An Intervention Fund Grant of up to £5.3 million towards this contract - valued at £23.2 million - has now been approved in principle and the way is now clear for the Prime Minister to write to Mr Kimber. I enclose a draft letter for the Prime Minister's signature.

Yours ever

Catherine

CATHERINE BELL
Private Secretary



DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

D Kimber Esq
Chairman
Austin and Pickersgill Ltd

I was delighted to hear that you have succeeded in securing an order for four SD14 cargo vessels from Sir Y K Pao's World Wide Shipping. This is a most important success which I hope will form the basis of further inroads into the Far Eastern market.

Against the background of this order, we will now be looking to Austin and Pickersgill, and indeed British Shipbuilders as a whole, to demonstrate its ability to complete its orders on time and within cost. As my colleagues have made clear, only by the most substantial and rapid improvements in productivity and efficiency can the industry secure for itself a viable future.

My congratulations to all concerned.

010

British Shipbuilders

243 Knightsbridge, London SW7 1DG. Telephone 01-589 3488 Telex 917060

Robert Atkinson
Chairman

C. A. Whitmore Esq.,
Principal Private Secretary to
The Prime Minister,
10, Downing Street,
London,
SW1.

Ami Whitmore

*I will send a
nice letter on
your behalf*

13
13th January 1981

Dear Mr. Whitmore,

In November I led a high level British Shipbuilders intensive sales tour of the Far East. We represented our case very strongly particularly to Sir Y. K. Pao and C. Y. Tung. After several meetings the former smiled and commented that the Prime Minister had said to him "one day we will be competitive and take an order from you".

Please tell the Prime Minister that we have now received an order from Sir Y. K. Pao for four standard ships to be built at Sunderland at competitive prices in spite of the strong £. Additionally, we have now also obtained two ships from C. Y. Tung.

Yours sincerely,

Robert Atkinson

Robert Atkinson.



10 DOWNING STREET

From the Private Secretary

31 December, 1980.

BF 15.1.81

Correspondence with Sir Y.K. Pao

Thank you for your letter of 30 December which I have shown to the Prime Minister. In view of the information that Austin and Pickersgill will have to negotiate an Intervention Fund grant, she will not immediately write to Mr. Kimber; but she would still like to, as and when this grant has been negotiated. Could you therefore let me have a draft letter as soon as the grant position is clarified.

T. P. LANKESTER

Mrs. Catherine Bell,
Department of Industry.

55

Y. K. Pao said "My Group -- has just received
agreement --
It will now be very
entirely up to
us whether we
pay or not



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
FACSIMILE BOARD 01-212 7676

PS/ Secretary of State for Industry

30 December 1980

Clive Whitmore Esq
Principal Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prin Whitmore

We had drafted a letter for you to
send to the MD of A and P. But we now
find (see below) that A and P have yet to
negotiate their Intervention Fund grant. I
think it would be best for you not to
write to A and P until the negotiation is
completed. Agree? (Your letter to Yk. is
attached, and also his letter. Yk might have mentioned
the intervention fund point, but your letter does not
compromise the Govt.)
on it.

Dear Clive

CORRESPONDENCE WITH SIR Y K PAO

We spoke on the telephone this morning about the Prime Minister's
response to a letter she received from Sir Y K Pao just before
Christmas. You explained that the Prime Minister had sent a
personal reply to Sir K Y Pao but was minded also to write to
Derek Kimber, the Chairman of Austin and Pickersgill, saying that
she would be taking a personal interest in progress on the four
cargo ships which Sir Y K has provisionally agreed should be
built at the Sunderland yard. You asked me to set out the
reservations of officials here on the Prime Minister writing
to Mr Kimber at present.

2 It is suggested that any possible letter to Mr Kimber should
be deferred until a decision is reached on Austin and Pickersgill's
provisional application for an Intervention Fund grant of £5.3 million
in support of the order from Sir Y K Pao. The application for
Intervention Fund grant, which has not yet been endorsed by BS
Headquarters, was received here on 29 December and arrangements
have been made for officials to visit the yard on 7 January 1981.
If, following the visit, there is reason to believe that even with
maximum assistance, Austin and Pickersgill are likely to suffer
a loss on the contract the issue may need to be referred to
Ministers for a collective decision. A letter from the Prime
Minister to Mr Kimber at this stage might be taken as an indication
that Intervention Fund assistance will be given and thereby prejudice
consideration of BS's application.

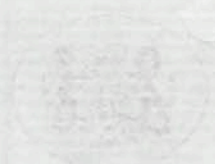
3 Would it be helpful if I were to let you know the position on
the application for Intervention Fund grant as soon as possible
after the visit to the yard on 7 January? We would, of course,
be happy to provide a draft letter for the Prime Minister to send
to Mr Kimber as soon as the position on the Intervention Fund grant
is clarified.

Yours sincerely
Catherine Bell
CATHERINE BELL
Private Secretary

TL
..
30/12

30 DEC 1980

DEPARTMENT OF INDUSTRY
LONDON HOUSE
125 MARK LANE
LONDON EC3R 7G3



CONFIDENTIAL

CONFIDENTIAL

MR. INGHAM

The Prime Minister has asked me to show you the attached correspondence about an order for four new general cargo vessels which Sir Yue-Kong Pao has been instrumental in placing with Austin and Pickersgill.

She has said that we should be able to secure some publicity for the order, and you might like to pursue this with the Department of Industry. You will remember that the Prime Minister visited the Austin and Pickersgill yard in Sunderland earlier in the year. She subsequently asked Sir Yue-Kong when he was over here in this country to give the yard a chance to win the order for the four new ships.

AWJ.

29 December 1980

3.

CF pm had not

attached in

can in want to

use it

later

T

PRIME MINISTER

You said that you wanted to write to the Manager of the Austin and Pickersgill yard where the four new general cargo vessels which the joint venture company formed by Sir Yue-Kong Pao's Group and the Chinese authorities has ordered will be built.

I attach a letter for you to send to Mr. Derek Kimber, the Chairman of Austin and Pickersgill. I think you met him during your visit to the yard earlier in the year. I also attach copies of your exchange of letters with Sir Yue-Kong. You said you wanted to keep these.

Law.

29 December 1980



10 DOWNING STREET

THE PRIME MINISTER

I heard just before Christmas from Sir Yue-Kong Pao of the World-Wide Shipping Group that the joint venture company which his Group had recently formed with the Chinese shipping authorities had just reached agreement with Austin and Pickersgill on an order for the construction of four general cargo vessels.

This was very welcome news indeed, and I have replied to Sir Yue-Kong Pao saying that I could not have had a better Christmas present. I went on in my letter to him to say that we now had to justify his confidence in us by giving excellent value for money and delivering the ships on time. I told him that I had visited your yard earlier in the year and that I was sure that the people there would not let him down.

I have no doubt that everyone at Austin and Pickersgill recognises the importance of these orders. They will not only provide much needed work in the immediate future but if they are successfully completed, they may possibly lead on to further orders from Sir Yue-Kong Pao's Group. I very much hope that you will do all you can to ensure that Sir Yue-Kong Pao's confidence in Austin and Pickersgill is fully repaid.

D.B. Kimber, Esq., OBE



10 DOWNING STREET

Cous.

Please do the following :-

✓ 1. Take copies of Sir Y.K.'s
letter and of the Home Minister's
reply for the Home Minister.

✓ 2. Let me have a folder
set of copies so that I can
refer on the C.P.'s instructions
to Board.

✓ 3. Dispatch the Home Minister's
reply to Sir Y.K.

✓ 4. Turn up the papers for
the Home Minister's visit
to Amherst + Port of Spain. I
will ~~not~~ ~~be~~ ~~in~~ ~~the~~ ~~York~~,
~~the~~ ~~Home~~ ~~Minister~~ ~~has~~
~~not~~ ~~yet~~ ~~done~~ ~~a~~ ~~letter~~
for the C.P. to send to the
York, as per annex.
M.W.

✓
15/5/54
J.P. M.P.P.
has seen

Please refer to Demand.

We should be able to

① secure some publicity for this
and

② these orders cover for

a) my visit to A.P. in

and ~~to~~ ^{fundamental and the}
impression it made on me

b) asking Y.K. to give us

a check

I should now like to write
to the effect that the Manager
of those funds to say that

had told Y.K. that the check would be
productive and delivered on time not

May I have a copy of

~~J.K.P.~~

this correspondence

me



10 DOWNING STREET

THE PRIME MINISTER

24th December 1960

Dear Sir Y-K:

Your letter of the 18th December reached me on Christmas Eve and was the most wonderful Christmas present I could have had. Your new ships from Amsterdam Pidenjill will have set the joy-bells ringing in many hearts.

Now we have to justify your confidence in us by giving excellent value for money and delivering on time.

When we met, I promised you
we could do both and I will take
a personal interest in the progress on
these orders. I visited the Sunderland
Yard earlier this year - I am sure
the people who work there won't let
you down.

With every good wish to you
and the new joint venture company with
the Chinese.

Warm personal regards,

Yours sincerely
Margaret Thatcher



10 DOWNING STREET

PRIME MINISTER

This letter from Y.K. Pao tells us that his new joint company with the Chinese have just ordered four ships from Austin & Pickersgill. At your recent meeting with him, you urged him to reconsider British yards - and maybe that had some effect.

I attach a draft reply.

23 December 1980



10 DOWNING STREET

THE PRIME MINISTER

Dear Sir Y.K.

Thank you very much for your letter of 18 December.

I was, of course, delighted to hear that the new joint venture company which you have formed with the Chinese have placed an order for four general cargo vessels from Austin & Pickersgill. I am sure they will repay your confidence in us.

With very best wishes for the New Year.

Warm personal regards,
Yours sincerely

Sir Yue-Kong Pao, C.B.E., J.P.

Raymond Delisle

Sir Yue-Kong Pao C.B.E., LL.D., J.P.

R2212
WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

18th December, 1980.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

Dear Prime Minister,

When you kindly received me at your office on 5th November, you mentioned that British shipbuilders would probably be able to offer competitive prices for newbuildings and that you hope my Group would soon find it advantageous to place orders with U.K. shipyards.

I am glad to inform you before my departure this evening for my only brief holiday of the year that the joint venture company my Group recently formed with the Chinese shipping authorities has just reached agreement with Austin & Pickersgill Shipyard about an order for the construction of four 15,000 d.w.t. general cargo vessels. This no doubt marks a timely resumption of relationship between my Group and U.K. yards and, I hope, herald a closer association in the years to come.

At present, we have a total of around sixty vessels on order or under construction at yards in different parts of the world and the two main reasons for our engaging in this intensive newbuilding programme are firstly, my Group's constant need to rejuvenate our fleet - replacing older vessels with new - and, secondly, the rising general demand for medium size vessels, particularly in the Asian region.

With the approach of the festive Season, may I send you my cordial Greetings and the very best wishes.

*Yours Sincerely
Y. K. Pao*



File
H Kap

10 DOWNING STREET

THE PRIME MINISTER

1st December, 1980

Dear Sir 'Y-K'.

I was very pleased to see you when you were in London last month.

I am writing to say how very grateful I am for your support, which is much appreciated.

With my best wishes.

Yours sincerely
Margaret Thatcher

Sir Yue-Kong Pao, C.B.E., J.P.
Chairman,
World Wide Shipping Agency Limited,
20th Floor, Prince's Building,
Hong Kong

JS

CF ✓ pps
24/11

Hong Kong

20 November, 1980

Thank you for your letter of 19 November and for sending the identification plaque for the present which was presented by Sir Yue-Kong Pao to the Prime Minister.

Mrs Thatcher is absolutely delighted with "Keying II" and has asked me to thank you for taking the trouble to send the plaque.

CAROLINE STEPHENS

Mrs Nancy Chu

AB

MARINE NAVIGATION COMPANY LTD.

Incorporated 1916.

WORLD-WIDE HOUSE.
25. WORSHIP STREET.
LONDON, EC2A 2HU.

TELEPHONE: 01 -638 0371
CABLES: WOSHIP LONDON EC2
TELEX: 888425 WOSHIP G
883023 WOSHIP G

19th November, 1980

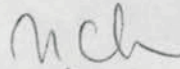
Private Office of the Prime Minister
No. 10 Downing Street
London S.W.1.

Dear Sirs,

Our Group Chairman, Sir Yue-Kong Pao presented the Prime Minister a replica of the junk "Keying II" when the Prime Minister kindly received him on the 5th November. Sir Yue-Kong has asked us to forward the enclosed identification plaque for attaching onto the black wooden pedestal of the junk within the glass case, and we would be grateful if you could kindly pass this on to the Prime Minister on our behalf.

Thank you very much for your kind attention.

Yours faithfully,



(Mrs.) Nancy Chu
Secretary to Chairman

Encl.

010
Sir Yue-Kong Pao C.B.E., LL.D., J.P.

Hong Kong
WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

11th November, 1980.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

RIS/11
Prime Minister
H.K. Amt
(2)

mb
Dear Prime Minister,

Having returned to Hong Kong from my London trip, I hasten to write to thank you sincerely for sparing so much time to receive me in your office last Wednesday.

I greatly enjoyed our discussion on a wide range of topics and am particularly grateful for the interest you showed in shipping and the problems the industry faces. It was gratifying to know that you and your Government share INTERTANKO's firm commitment of the need for the maintenance of the present flexible pattern for maritime trade. We in Hong Kong of course well understand and fully support your views of the advantages of free enterprise and are convinced that this is the only system capable of sustaining the world's healthy economic growth.

Let me thank you once again for giving me your valuable time and I will look forward to future opportunities of meeting you when I and my organization may again have the benefit of your views.

With kindest regards,

yours sincerely
Y. K. Pao

SUBJECT

cc Hester

TMP



10 DOWNING STREET

From the Private Secretary

5 November 1980

Mr George

As you know, Sir Y.K. Pao called on the Prime Minister this morning.

They had a general discussion about the economic and political situation in China, in the course of which Sir Y.K. expressed confidence in the new Chinese Premier - whom he praised for his pragmatism and his more open approach to economic and political questions. Having been less involved than Hua in the decisions of their predecessors, he was more able to embark on new policies. Sir Y.K. said that, nonetheless, the Chinese Government still did not seem willing to recognise the problem of the Hong Kong lease. The Prime Minister said that she and her colleagues had looked at this issue prior to Hua's visit and had raised the issue with him; but he had made it clear that they did not wish to move on it.

Sir Y.K. also described the joint venture which he had set up with the Chinese. The venture had been established in Bermuda with 55% of the equity owned by his own Company and 45% by the Chinese. This was the first joint venture in which the Chinese had been prepared to forgo majority control and it was also significant that they had agreed to its being set up outside China. The Chinese had decided to go ahead with the new Corporation because they wanted to expand their sales of ships abroad. The Corporation had already decided to purchase four ships from Chinese yards; but he had made it clear - and the Chinese had agreed - that further purchases would follow only if competitive terms were offered. He had told the new Chinese Premier that the secret of improving the efficiency of Chinese shipyards was to give them some independence from the central bureaucracy and to give them incentives to improve their performance. He believed that the new Premier, partly because of his own experience in encouraging agricultural development in northern China, would be prepared to pursue a more decentralised approach not only for shipbuilding but also for other sectors of the Chinese economy. Joint ventures of the kind his own Company had embarked on could help to encourage this trend.

/The Prime Minister

JS

The Prime Minister said that she hoped Sir Y.K. would not forget British shipyards. Substantial Intervention Fund grants were available, and the recent delivery performance of our yards had improved significantly.

Finally, apropos the American Election, Sir Y.K. said that he hoped that Governor Reagan would not make any move to re-establish dipolomatic links with, or to recognise, Taiwan. The Prime Minister said that she did not believe he would, and that Taiwan seemed quite able to prosper without U.S. recognition.

I am sending a copy of this letter to Ian Ellison (Department of Industry) and Stuart Hampson (Department of Trade).

2 m.

Tim Laker.

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

Keswicks not to sell off holding in Jardine

By Bryan Appleyard

The Keswick family, a big shareholder in Jardine Matheson, the Hongkong trading company, is not interested in selling its stake.

Sources close to the family said yesterday that the Keswicks would not sell their shares, thought to represent at least 15 per cent of the equity.

Rumours that a bid, probably for around 50 per cent of the company, were circulating in Hongkong and London last week. The likely bidders were Mr Li Ka-Shing through his Cheong Kong Holdings company, in partnership with Sir Yue-Kong Pao, the shipping magnate.

The suggested value of the bid—between HK\$40-45 a share—would put a price on the company of £1,000m.

Mr David Newbigging, chairman of Jardine, is in London this week and Sir Yue-Kong and Mr Li were also expected to arrive as part of a Chamber of Trade delegation. All three are directors of the Hongkong and Shanghai Bank.

Jardine is the most powerful and influential of the "Hongs"—the British merchant traders. But the steady growth of the Chinese companies has always been seen as a threat to their position in the colony.

Earlier this year the threat became reality when Sir Yue-Kong snatched a 49 per cent stake in Hongkong and Kowloon Wharf from rival bidder Hongkong Land, an ally of Jardine.

The Keswicks have been connected with Jardine since 1856. Both Sir John Keswick and Mr Henry Keswick, the proprietor



Sir Yue-Kong Pao: possible partner in £1,000m bid.

of the *Spectator* magazine, are on the board.

It is understood that the Keswicks believe Jardine to be very firmly protected by friendly holdings which could block even a partial bid. It is also understood that the rest of the Jardine board believes its recent capital restructuring, which have greatly increased the number of shares in issue, have effectively rendered the company bid-proof.

One source commented: "The Keswick family and the Jardine board are both convinced there will be no change of control of the company."

Shareholders friendly to the board point out that even Jardine's present share price of 275p in London is cheap by Hongkong standards. They point out that Sir Yue-Kong paid 50 times annual earnings for his 49 per cent stake in Wharf.

At that level, Jardine would cost HK\$79.50 (650p) a share and would be capitalized at £1,700m.

But in spite of the Keswicks' confidence, it is thought that the Chinese may have built up a stake of as much as 15 per cent of Jardine during the frantic activity in the markets last week.

The puzzle—will these men bid a billion to run Hong Kong?

by Richard Milner and Nick Gilbert

TWO OF THE world's richest men, Hong Kong multimillionaires Sir Yue-Kong Pao and Mr Li Ka-Shing, are believed to be about to launch a massive share assault on that bastion of British power in the colony, Jardine Matheson. Established in 1834 Jardines has interests ranging from property to insurance.

A full bid would cost the two men close to £1,000m—possibly the biggest takeover bid ever and a move that would mark a major shift in Hong Kong power away from British interests to ethnic Chinese who have amassed mighty fortunes in shipping and property in the past 20 years. It used to be said that the Colony was run by the Hongkong & Shanghai Bank, Jardines and the Jockey Club.

As speculation mounted last week in the City of London, Jardine shares shot to a fresh peak of 295p at one time on Friday. And in Hong Kong Jardines added more than HK\$6 to over HK\$36—a 20% gain—valuing the group at some £800m.

Adding spice to the rumours is the presence in London of Sir Y. K. Pao—head of World International, and the world's largest private shipowner. Li Ka-Shing—who started life as a toy salesman and whose Cheung Kong Holdings empire is valued at over £700m—also arrives here today as part of a high-powered Hong Kong General

Chamber of Commerce delegation which ironically includes David Newbigging, chairman of potential bid victim Jardine Matheson.

The Pao-Ka-Shing consortium is reckoned to have quietly built up a key stake in Jardines. And though it may not launch a full bid it is believed that the two men want control of the group and of property empire Hong Kong Land which has close links with Jardines.

Sources close to the big Hong Kong delegation say: "If they are determined the two men have quite enough financial muscle to mount an attack on both the companies despite their enormous size."

And though Newbigging shrugged off bid rumours earlier this year, only last week Jardines sold 25m new shares to Hong Kong Land—a move widely thought to be a last-ditch defensive manoeuvre.

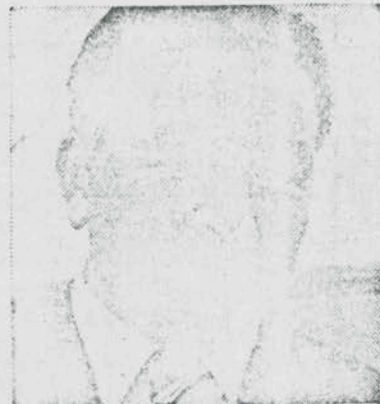
Jardines and Sir Y. J. Pao have already engaged in a bitter takeover struggle when Pao out-bid Jardines's protégé Hong Kong Land for control of Hong Kong and Kowloon Wharf.

Li Ka-Shing, who has close links with the Peoples' Republic last year snapped up a 22% stake in trading group Hutchison Whampoa. His financial muscle is such that he coolly paid out £100m for a mere 79,000-square-foot site in Kowloon, thus establishing a record

even for the hugely expensive Hong Kong property market.

The current betting is that Pao and Ka-Shing will want to take their stake in Jardines, which last year made profits of £50m on sales of nearly £500m, to around 50%. And they are reckoned to be prepared to pay up to HK\$45 per share.

Jardines's Newbigging and Ka-Shing—along with Pao they are directors of the influential Hongkong & Shanghai Bank—should have plenty to chat about tomorrow. For the Hong Kong delegation has a formal dinner chaired by Newbigging at London's Berkeley Hotel tomorrow. There will be much talk about the Colony's trading links with the UK. But the dinner could also feature an informal power shift on the top table.



Hong Kong: one day all this will be mine . . . ?

. . . and mine? Y. K. Pao.

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

31 October 1980

R/F 4.11.80

Dear Caroline,

Sir Y K Pao

Thank you for your letter of 3 October requesting briefing for Sir Y K Pao's call on the Prime Minister on 5 November. This is enclosed; it includes contributions by the Department of Industry and the Department of Trade. The brief on shipbuilding is for background information only as there are no points which the Prime Minister need raise on this. Sir Y K Pao may also mention a recent visit to Peking during which he saw the Chinese Premier, Zhao Zi-yang. We have seen no report of this.

A biographical note on Sir Y K Pao is also attached, along with a copy of a recent article on him which appeared in the 'Economist' of 18 October. Lord Carrington is seeing him on 7 November.

I am copying this letter to Peter Stredder, DOI, and Nicholas McInnes, DOT.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

Miss C Stephens
10 Downing Street
London

RESTRICTED

31 OCT 1980



PRIME MINISTER'S MEETING WITH SIR Y K PAO: 5 NOVEMBER 1980

JOINT VENTURES

POINTS TO MAKE

ms

1. Would be interested to hear about Sir Y K's joint venture with China in shipping.
2. What are Sir Y K's views on prospects for joint ventures between foreign companies and the Chinese?
3. UK companies interested in principle of joint ventures but would like to see outcome of Chinese legislation.



JOINT VENTURES: ESSENTIAL FACTS

1. Sir Y K Pao's World-Wide Shipping Group, backed by Hongkong and Shanghai Bank and Industrial Bank of Japan, reached agreement with Chinese in March for establishment of US\$50 million joint venture company called International United Shipping and Investment Corporation.
2. Business of Corporation to build, buy, sell, charter and manage ships for international market. Will initially confine itself to bulk carriers. Currently negotiating purchase of ships from China.
3. Two features noteworthy about Sir Y K's agreement:
 - (a) Chinese control only 45% of venture, as opposed to usual 51%;
 - (b) Sir Y K himself Chairman of Corporation. Chinese regulations stipulate that they appoint Chairmen of joint ventures. Sir Y K's appointment an indication of important role of Hong Kong Chinese in development of China's trade.
4. Few joint ventures so far approved by China's Foreign Investment Control Commission. Western companies showing cautious attitude. Chinese joint venture law of July 1979 vague on legal conditions for foreign partners. Subsequent law established tax rate at a basic 33%. But legislation still awaited on issues such as patent protection.

PRIME MINISTER'S MEETING WITH SIR Y K PAO: 5 NOVEMBER 1980

UNCTAD COMMITTEE ON SHIPPING

POINTS TO MAKE (Defensive)

1. Outcome of Committee on Shipping best we could have hoped for.
2. At Special Session next year will continue to resist any attempt to phase out open registers. Shall however support any measure to eradicate identified abuses.
3. Trust that study group on bulk trades will demonstrate that present arrangements serve best interests of consumers and producers as well as those of shippers and shipowners.



UNCTAD COMMITTEE ON SHIPPING: ESSENTIAL FACTS

1. In September, Sir Y K Pao sent the Prime Minister an advance copy of his statement, made as Chairman of Intertanko (Association of Independent Tanker Owners), to that month's meeting of UNCTAD Committee on Shipping. Sir Y K operates his bulk vessels mainly under Liberian flag of convenience and therefore takes close personal interest in UNCTAD-inspired schemes to phase out open registers and impose a bilaterialist cargo-sharing regime on hitherto freely competitive bulk trades.
2. Committee meeting deferred question of open registers to a Special Session in May/June 1981. Agreed however to form study group to investigate allegations by developing countries of barriers to their participation in bulk trades. Group will meet twice in 1981 and report to Committee in May 1982.
3. OECD members have consistently denied existence of barriers to developing countries' participation and contend that bulk trades represent one of few remaining free markets. Any attempt to introduce a structure into bulk trades on which a bilateralist regime could be imposed would result in loss of flexibility to detriment of consumers and producers worldwide.

Hong Kong and General Department, FCO



PRIME MINISTERS MEETING WITH SIR Y K PAO: 5 NOVEMBER 1980

BACKGROUND NOTE: SHIPBUILDING

In 1973 and 1974 Sir Y K Pao's company, World-Wide (Shipping) Ltd, took delivery of four ships from UK shipyards - two 26,000 ton bulk carriers from Govan Shipbuilders Ltd and two very large crude carriers (VLCCs) from Swan Hunter Ltd and Harland & Wolff Ltd. Since then Sir Y K Pao has ordered no ships from the UK. From the early 1960s World-Wide has obtained the great majority of its new vessels from Japanese shipyards, although more recently some contracts have been placed in other countries such as Poland and the People's Republic of China.

There are two main reasons for World-Wide's close relationship with Japan. First, the yards in that country have been able to offer prices and deliveries which many other countries, including the UK, have been unable to match. Second, World-Wide's normal policy has been to order ships only against specific long-term charter commitments by third parties, and Japanese companies have been more prepared than most others to enter into this type of arrangement. These long-term charter deals have also enabled World-Wide to weather the shipping recession better than many competitors.

Last year Sir Y K Pao indicated that he would like to arrange similar charter deals in the UK, with, for example, the British Steel Corporation and British Petroleum, against which World-Wide would order ships from UK yards. Although discussions have taken place British Shipbuilders have been unable to attract sufficient interest in this charter concept.

During the past week or so World-Wide have, however, approached British Shipbuilders direct about two possible requirements. Austin & Pickersgill Ltd, Sunderland, have been invited by World-Wide's London Office to quote for one of the yard's standard design SD14's (15,000 ton general cargo ship), and British Shipbuilder's Hong Kong Office were asked to submit quotations for two Austin & Pickersgill B26's (26,000 ton bulk carriers). British Shipbuilders will be responding to both these enquiries and the aim is for their Chairman, Mr Robert Atkinson, to take firm proposals to



World-Wide (Shipping) Ltd when he visits Hong Kong for the Expo Ship Exhibition about the middle of November. At the same time he hopes to have an opportunity to discuss the matter further with the Hong Kong principals.

Price and delivery will continue to be important factors in World-Wide's consideration of ordering new vessels in the UK. Although HMG would in principle be prepared to make available Intervention Fund grants to help shipyards quote more competitive prices, the question of delivery is a matter for the shipbuilders themselves.

Shipbuilding Policy Division
Department of Industry
28 October 1980.



SIR YUE-KONG PAO, CBE LLD JP


Chairman, World-Wide Shipping Group.

Born Zhejiang (Chekiang) Province, China, 10.11.18. Educated Shanghai. A banker there until 1949, when he moved to Hong Kong. Engaged in import/export trade until 1955, when he formed World-Wide Shipping Group. Received CBE 1976. Knighted 1978. Married with four daughters.

Made news last June when he outbid Jardine Matheson's subsidiary, Hong Kong Land, in take-over of Hong Kong and Kowloon Wharf and Godown Company. Seen as indicative of shift in industrial and commercial power in Hong Kong to Chinese-owned companies.

Other Business Interests:

Chairman, World International (Holdings) Ltd.
Chairman, Eastern Asia Navigation Co Ltd.
Chairman, Hong Kong and Kowloon Wharf and Godown Co. Ltd.
Chairman, World Finance International Ltd.
Chairman, Industrial Bank of Japan Finance (Hong Kong) Ltd.
Deputy Chairman, Hongkong and Shanghai Banking Corporation
Director, Hang Seng Bank
Director, Mass Transit Railway Corporation
Director, Hong Kong Electric Co. Ltd.
Director, Inchcape Far East Ltd.
Director, South China Morning Post Ltd.
Adviser, Industrial Bank of Japan
Member, International Advisory Board, Chase Manhattan Bank
Chairman, International Association of Independent Tanker Owners
(Intertanko)



Sir Yue-Kong Pao

Poker-faced

HONGKONG

Hongkong Chinese shipping magnate Sir Yue-Kong Pao has shuffled his corporate deck and dealt himself a straight flush. Already the world's largest private shipowner, he has now drawn together the publicly-quoted corner of his shipping business, World International (Holdings) with the property empire he has been building up in Hongkong.

Under the wing of World International, he has created a public company

FINANCE



no's world is international

similar in size to his rival Jardine, Matheson, the (still) British-run trading conglomerate that is one of the largest concerns in south-east Asia and on which many think Sir Yue-Kong casts a covetous eye. They crossed swords recently when he outbid Jardine's protégé, Hongkong Land for control of Hongkong and Kowloon Wharf and Godown.

At the beginning of this year, World International was a relatively obscure (though publicly-quoted) part of the Pao empire. In April, Sir Yue-Kong pumped in six ships and his 30% holding in Hongkong and Kowloon Wharf and, in July, followed this with the transfer of his 45% stake in Eastern Asia Navigation, moves which tripled the company's assets.

Now he is selling a further 15% personal stake in the Wharf company to World International, increasing its stake to 45%. The terms (an 86-for-5 share exchange) value each Wharf share at roughly the same price (HK\$105) as Sir Yue-Kong paid when he bought 20m during the fight with Hongkong Land for control. Altogether, Pao interests control 49% of Wharf, of which Sir Yue-Kong recently became chairman.

The Securities Commission's takeovers panel, which reprimanded Sir Yue-Kong and censured his financial advisers, Wardley, part of the Hongkong and Shanghai Banking Corporation, for their conduct during the battle for Wharf, has approved the latest transactions. It ruled that they do not change control because Pao interests already control both Wharf and World International.

World International is also making a general offer to acquire the 55% it does

not own of his other quoted vehicle, Eastern Asia Navigation. Here the terms are a seven-for-five paper offer, valuing the shares at HK\$8.54—about HK\$2 above the recent market price. (There is also a swiftly expiring cash alternative of HK\$7.50.) The reorganisation will dilute World International's earnings, but the

low return it is getting from Wharf will be offset by high earnings from Eastern Asia, although the world outlook for the shipping market, especially large tankers, may dull prospects.

There is much speculation in Hongkong about Sir Yue-Kong's intentions. Some see the latest shuffle as simply a tidying-up operation, giving him a breather to sort out his rapidly-grown empire. More sophisticated analysts, however, suspect he may use World International as a vehicle, perhaps in conjunction with the property tycoon Mr Li Ka Shing, for building up a big enough stake in Jardine or one of its satellites to get board representation. It is a tactic local Chinese have used before.

European Options Exchange

Golden lads... ?

AMSTERDAM

Amsterdam's European Options Exchange (EOE) wants to start the world's first public market in traded gold options next spring. It hopes desperately for a better volume of trading than in the disappointing share option market. Formal government approval for gold options is still required, but consent has been given in principle.

Frenetic engineering

NEW YORK

Genentech, Wall Street's hottest new public issue for years, created instant profits and great wealth for its lucky shareholders this week. The mystique of genetic engineering, to create insulin, interferon and other medical wonders, built demand for Genentech shares to an overwhelming level. Frustrated investors chased the 1m shares of Genentech sold at \$35 on the way up to a peak of \$89. It closed the first trading session at \$71.25. More than half of those who were allocated shares at \$35 (the favourite customers of the brokerage syndicate) offered for a fast killing.

The noisy action in Genentech shares will whet appetites for other glamorous share offerings expected soon, like Apple Computer. It will also trigger the decision to go public and raise money by other private companies with a foothold in genetic engineering and similar frontier areas of science.

Mr John Whitehead, managing partner of Goldman, Sachs, which participated in the underwriting, cautioned that "when new issues have that kind of extreme demand, it is a danger signal we all ought to be alert to. The danger is that Genentech's success will attract of-

ferings of other issues of lesser quality and an attempt will be made to create the same aura of demand for them".

At the end of the first day's trading, Genentech, with assets of \$14.2m, and profits of only \$51,000, was capitalised at \$532m. Mr Robert Swanson, president, and Mr Herbert Boyer, vice-president, were worth over \$70m on paper. Lubrizol Corporation of Cleveland, an early venture capital investor in the company, had an asset worth \$110.8m, almost eight times what it had paid for it. Mr Robert Scheller, a 26-year-old biology research fellow at the California Institute of Technology was a millionaire for work completed four years ago.

New issues have increased the number of stocks traded in the over-the-counter market in the past three years. But they are only the tip of the iceberg of the burgeoning volume of business and the bull market operating there. Last week, for the first time, the volume of shares traded over-the-counter (36m), was larger than the one-day volume on the New York Stock Exchange. Over-the-counter volume is 65% up on 1979 and is almost four times that on the American Stock Exchange.



10 DOWNING STREET

From the Private Secretary

20 October 1980

BF 24.10.80

Dear Sir,

I enclose copies of a letter to the Prime Minister from Sir Yue-Kong Pao which I have already acknowledged and which does not, I think, require any further action, and of one to me from Mr. T. Rafgard enclosing a copy of INTERTANKO's submission to UNCTAD. I have acknowledged Mr. Rafgard's letter, and subject to your views, do not think that it requires any further action.

I am sending a copy of this letter and its enclosures to Roderic Lyne (Foreign and Commonwealth Office).

Yours ever

Michael Alexander

Stuart Hampson, Esq.,
Department of Trade.

255

20 October 1980

The Prime Minister has asked me to thank you for your letter to her of 13 October and to say that she is looking forward to seeing you on 5 November.

MICHAEL ALEXANDER

Sir Yue-Kong Pao, C.B.E., LL.D., J.P.

HS

20 October 1980

Thank you for your letter of 16 October.
I have brought your letter and its enclosure
to the attention of those concerned here.

MICHAEL ALEXANDER

Mr. T. Rafgard

INTERNATIONAL ASSOCIATION OF INDEPENDENT TANKER OWNERS

(INTERTANKO)



TELEPHONE: (47 2) 41 60 80
TELEX: 19751 ITANK N

OSLO 1
P.O. BOX 1452 - VIKA
RÅDHUSGATEN 25

General Manager T. Rafgård
Asst. General Manager T. A. Meyer

YOUR REF:

OUR REF:

TR/lyd

Recd. CF 20/10/80.

16th October, 1980

Mercur

Mr Michael Alexander,
Private Secretary,
10 Downing Street,
London SW1,
England.

Dear Mr Alexander

With reference to the letter dated 30th August, 1980, from our Chairman, Sir Yue-Kong Pao, I take the liberty of enclosing the INTERTANKO submission to UNCTAD, which accompanied Sir Yue-Kong's statement.

The submission, "Cargo Sharing and the Role of Developing Countries in Tanker Shipping", aims in an analytical way, to outline the organisation of the tanker market. INTERTANKO is not quite convinced that the third world representatives in UNCTAD fully understand the functioning of the market.

It is not enough to state that regulatory schemes will distort the present market. The suspicion the third world feels of the motives of the western world must be removed. Hopefully a more careful argumentation, including in-depth analysis of the economics of the situation, may contribute to a better climate. I hope you will find the INTERTANKO submission a worthwhile effort towards this objective.

With kind regards.

Yours sincerely,

T. Rafgård
General Manager

INTERNATIONAL ASSOCIATION OF INDEPENDENT TANKER OWNERS

(INTERTANKO)



TELEPHONE: (47 2) 41 60 80
TELEX: 11363 NORED N

OSLO 1
P.O. BOX 1452 - VIKA
RÅDHUSGATEN 25

FROM THE OFFICE OF THE CHAIRMAN:
SIR YUE-KONG PAO, C.B.E., LL.D., J.P.

20TH FLOOR, PRINCE'S BUILDING,
HONG KONG

91?

13th October, 1980.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W. 1
ENGLAND

Dear Prime Minister,

Thank you very much for your letter of the 22nd September and your comments on the position taken by INTERTANKO in response to the proposals by the Secretariat of UNCTAD for cargo sharing in the bulk trades and for phasing out open registries. We are of course greatly encouraged by your Government's firm attitude on these issues and the leadership provided to the "Group B" countries during the recent meetings in Geneva. I am confident that economic realism will eventually return to these discussions and carry the day.

I have recently been in Beijing where I had the opportunity of meeting Premier Zhao Ziyang, and where we had a Board meeting of the joint venture company in shipping my group and two agencies of the Chinese Government have formed a few months ago. I am pleased to say that there is keen interest by the Chinese leadership in more economic activities abroad.

I shall be visiting in London early next month and understand that you will be able to see me again for a few minutes on the 5th November. I am grateful for this opportunity and very much look forward to being able to report to you in more detail on INTERTANKO activities and developments in China and Hong Kong.

With kind regards,

Yours sincerely
Y. K. Pao

From: Sir Timothy Kitson, M.P.



Confidential

HOUSE OF COMMONS
LONDON SW1A 0AA

CS(O/R)

MS

9/10

7 October 1980

Dear Caroline,

Thank you for your note and this is just to confirm that Wednesday, 5 November at 1030 am will suit Sir Y.K. Pao very well and he will look forward to that.

X | I have also found a small booklet on his joint venture with the Chinese Government which I will let you have in the next day or two and which I think will explain the position.

Yours sincerely,

T

Miss Caroline Stephens,
Private Office, No.10, Downing Street,
London, SW1.

X | Wait till booklet arrives
then we must send off
for briefing. Cl.
13/10.

Suryk. PATO



10 DOWNING STREET

Please keep -
Sir Timothy Kibre
is sending a
background note

CJ.
? 4.10.

CF.

Perhaps best kept with
your file about him

Q

6/10



10 DOWNING STREET

From the Private Secretary

3 October 1980

file 116
B7F
31-10-80

PAO

Sir Yeung Kong Poa from Hong Kong is coming to see the Prime Minister on Wednesday 5 November at 10 Downing Street to discuss in particular a joint venture which his organisation has commenced with the Peking Government. I would be grateful if you, and the other recipients of this letter, would supply us with any briefing you consider relevant to this meeting. It would be helpful if all advice could please reach us here by close of play on Friday 31 October.

I am sending a copy of this letter to Peter Stredder (Department of Industry) and to Nicholas McInnes (Department of Trade).

CAROLINE STEPHENS

R. M. J. Lyne, Esq.,
Foreign and Commonwealth Office.



file RB
cc Ian Gow

10 DOWNING STREET

From the Private Secretary

3 October 1980

Your letter of 26 September to Ian Gow about Sir Yeung Kong ~~Pa~~^{Pao}, has been passed to me and I have had a word with the Prime Minister about it.

The Prime Minister would be delighted to see him. May I please offer you 1030 a.m. on Wednesday 5 November at 10 Downing Street. Perhaps you would be kind enough to confirm that this would be convenient.

CAROLINE STEPHENS

Sir Timothy Kitson, M.P.

PRIME MINISTER

cc Mr. Alexander

Ian has received a letter from Tim Kitson asking whether you could receive Sir Yeung Kong PAO when he is over here in early November. You will remember that he has already been to see you once since you became Prime Minister as well as attending a lunch. According to Tim he would like to have a word with you about a new joint venture with the Peking Government as he has just returned from China after meeting Premier Chao Zhiyang. Tim has told Sir Yeung Kong PAO that you will be very busy and this might well not be possible. Agree to see him or not?

Yes
not

ES.

2 October 1980

Caroline



10 DOWNING STREET

1st October, 1980

Thank you so much for your letter of 26th September, letting me know that Sir Yeung Kong Poa will be in London at the beginning of next month.

I will have a word with the Prime Minister about this, and will then write to you again.

Ian Gow

Sir Timothy Kitson, M.P.

From: Sir Timothy Kitson M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

26th September, 1980.

Ian Gow Esq.,
House of Commons,
LONDON,
SW1A 0AA

Sir Tim,
Sir Yeung Kong Poa has been in touch with me saying that he will be in London, arriving on 4th November and departing on the 9th. He has a dinner on the evening of the 5th, otherwise with the exception of the evening of the 8th, he is fairly clear.

He would like $\frac{1}{4}$ hour with the Prime Minister to have a chat if it is at all possible. I think he would like a word about their new joint venture with the Peking Government as he has just come back from China after meeting Premier Chao Zhiyang and I think would like to have a word with the Boss about this operation.

I have said that with Parliament just reassembling, obviously she will be very busy, in case it is not possible to arrange anything, but if she could spare a few minutes I know he would welcome it.

From: Sir Timothy Kitson M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

Cont'd

I hope you are having a pleasant holiday and no doubt
I will see you at Brighton.

I am sure you will help if you can and you could let
me know if there is any chance when I see you down there.

TK
Yours sincerely,

A handwritten signature consisting of a large, stylized 'T' followed by a horizontal line and a vertical line, forming the initials 'TK'.

VB

CF.



ceo/trade
foo

Ang Kong

10 DOWNING STREET

THE PRIME MINISTER

22 September, 1980

Dear Sir Yue-Kong,

I have read with interest the statement which you made at the UNCTAD Committee on Shipping earlier this month. Thank you for sending me an advance copy.

I am sure you are well aware of my views and that of my Government on free and fair competition, in shipping as in other areas. As demonstrated at Geneva, HMG remains implacably opposed to any protectionist or discriminatory measures which would disrupt present flexible trading patterns and which would lead to higher transportation costs for all concerned.

It is gratifying to see that developed country unity was maintained in Geneva. I believe that the outcome of this Conference is as happy as we could have expected, given the diametrically opposed views of those represented.

I hope that eventually we may prevail upon the developing nations to recognise that our offers of cooperation and technical assistance are genuine, and that collaboration and not confrontation provides the best way of realising their natural aspirations.

Warm regards,
Yours sincerely

Raymond White

Sir Yue-Kong Pao, C.B.E., LL.D., J.P.

Red



From the Secretary of State

Michael Alexander Esq
Private Secretary
10 Downing Street
London, SW1

Henry King
Type for signature

Hand

17 September 1980

Dear Michael

--- I attach a draft reply to Sir Yue-Kong Pao's letter about his statement to the recent UNCTAD Committee on Shipping. We have delayed replying to await the outcome of the Conference which concluded last Friday.

Sir Y K called on the Prime Minister in June 1979, shortly after UNCTAD V. However, it does not appear from the note of meeting that UNCTAD shipping issues were discussed.

The prestigious Association of Independent Tanker Owners is supported by shipowners operating bulk vessels under both national flags and flags of Convenience (FoC). Sir Y K himself, in common with most Hong Kong shipping magnates, uses the Liberian flag. He therefore takes a close personal interest in UNCTAD-inspired schemes to phase-out FoC and impose a bilateralist cargo-sharing regime in the hitherto freely competitive bulk trades. Sir Y K is aware that the United Kingdom and Intertanko are ad idem in resisting these UNCTAD ambitions. HMG has traditionally championed free and fair competition in shipping: we came out firmly against developing country protectionist proposals in Manila; and we stood our ground at last week's conference. We (and Sir Y K) are however in favour of improving developing country competitiveness by commercial means.

There is one point where we would take issue with Sir Y K's statement. He recommend - presumably tongue in cheek - that far from phasing-out FoC, more developing countries should open their registers. FoC does not necessarily equate with sub-standard vessels. Indeed the major FoCs Liberia and Panama have a better safety record than some conventional flag fleets. However, most developing countries would be totally unequipped to enforce safety standards if there was a large-scale transfer of vessels onto their registers. We would not therefore associate ourselves with any exhortations to increase the number of open registries.

Yours sincerely

Catherine Capon

CATHERINE CAPON
Private Secretary

DRAFT

Addressed to :

Sir Y K Pao, CBE

Chairman

International Association of
Independent Tanker Owners

20th Floor

Prince's Building

Hong Kong

File No.

Copies to :

[Redacted]

Originated by:
(Initials and date)

Seen by:
(Initials and date)

Enclosures :

Type for signature of

.....
(Initials and date)

~~XXXXXXXXXXXXX~~
DEPARTMENT OF TRADE

I have read with interest the statement which you made at the UNCTAD Committee on Shipping earlier this month. Thank you for sending me an advance copy.

I am sure you are well aware of my views and that of my Government on free and fair competition, in shipping as in other areas. As demonstrated at Geneva, HMG remains implacably opposed to any protectionist or discriminatory measures which would disrupt present flexible trading patterns and which would lead to higher transportation costs for all concerned.

It is gratifying to see that developed country unity was maintained in Geneva. I believe that the outcome of this Conference is as happy as we could have expected, given the diametrically opposed views of those represented.

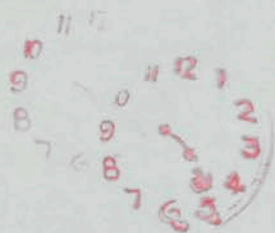
/ I hope

(CONTINUE TYPING HERE)

File No.

I hope that eventually we may prevail upon the developing nations to recognise that our offers of co-operation, *and* technical assistance ~~etc~~ are genuine, and that collaboration and not confrontation provides the best way of realising their natural aspirations.

17 SEP
14 SEP 1980



FILE

VLB

B/F 18/9/80.

cc FCO

3 September 1980

I enclose a copy of a letter which the Prime Minister has received from Sir Y. K. Pao about the current meeting of the UNCTAD Committee on Shipping in Geneva. I have acknowledged Sir Y. K. Pao's letter, but I am confident the Prime Minister will wish to let him have a substantive reply. It would be helpful if you could provide the draft of such a reply, together with your comments on Sir Y. K. Pao's statement, by Monday, 15 September..

I am sending a copy of this letter and its enclosures to Stephen Gomersall (F.C.O.).

MICHAEL ALEXANDER

Stuart Hampson, Esq.,
Department of Trade.

GB

FILE

VLB

3 September 1980

I am replying on the Prime Minister's behalf to your letter to her of 30 August, enclosing a copy of your speech to the UNCTAD Committee on Shipping. I shall of course bring your letter to the Prime Minister's attention and to the attention of the responsible departments here. A substantive reply to your letter will be sent to you as soon as possible.

MICHAEL ALEXANDER

Sir Yue-Kong Pao, C.B.E, LL.D., J.P.

INTERNATIONAL ASSOCIATION OF INDEPENDENT TANKER OWNERS

(INTERTANKO)



TELEPHONE: (47 2) 41 60 80
TELEX: 11363 NORED N

OSLO 1
P.O. BOX 1452 - VIKA
RÅDHUSGATEN 25

FROM THE OFFICE OF THE CHAIRMAN:

SIR YUE-KONG PAO, C.B.E., LL.D., J.P.

20TH FLOOR, PRINCE'S BUILDING,
HONG KONG

30th August, 1980.

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London S.W.1
ENGLAND

R1/9

Dear Prime Minister,

May I, in my capacity as Chairman of INTERTANKO (Association of Independent Tanker Owners), take the liberty of enclosing for your possible interest a copy of a speech which I will submit before the meeting of UNCTAD's Committee on Shipping in Geneva in early September, 1980. The speech sets forth my association's views on a current question which has an important bearing on international maritime transport. The UNCTAD Secretariat has already confirmed agreement to my presentation of the paper at a plenary session either on the 3rd or the 4th September, 1980.

INTERTANKO represents the interests of the majority of the world's independent tanker owners. The association provides a forum for airing the industry's views towards maritime issues and forms a basis for co-operation with other shipping bodies in maritime safety and anti-pollution matters.

INTERTANKO's current deepest concern is the implications of the UNCTAD proposals to phase out open registries and to implement a cargo-sharing regime in the bulk shipping trade, with the purported aim of developing Third World fleets. INTERTANKO is convinced that the existing competitive tanker market is functioning efficiently and economically and is concerned that the UNCTAD proposals, if implemented, would do irreparable harm to the efficacy of international bulk shipping without generating appreciable benefits elsewhere. Economic realities are also pointing to a resultant huge escalation of seaborne transportation costs which will inevitably be passed onto the consumers in developing and developed countries alike and fuel the already rampant global inflation.

Cont'd. 2/-

The Rt. Hon. Mrs. Margaret Thatcher, MP
30th August, 1980
Page 2

I hope I may be forgiven for imposing on you personally with my association's stand on these UNCTAD proposals which INTERTANKO believes go well beyond the realm of shipping and bring into question the freedom of international economy.

It is the sincere hope of INTERTANKO that our views may be favourably received in concerned quarters in your government and may evoke your positive support in a concerted effort to prevent these ill-conceived proposals from getting off the ground.

With kind regards,

Yours Sincerely
J. K. Pao

Encl.

UNCTAD - Committee on Shipping - 4/9/80
Submission on behalf of The International Association of
Independent Tanker Owners (INTERTANKO)
by the Chairman Sir Yue-Kong Pao, CBE, LLD, JP.

Thank you for giving me the opportunity to speak to you. My association does appreciate the consultative status it has with UNCTAD and the special arrangements made to allow for my submission today.

INTERTANKO represents the interests of nearly 300 tanker owners in 23 maritime countries who collectively control about 85 percent of the world's independent tanker tonnage. Our members come from traditional maritime countries (such as Britain, Norway, Greece) as well as from the newly emerging shipping centres in Asia and Africa. However, our membership does not differentiate between flags and is not all that concerned with the national background of individual owners. Instead, our association is principally interested in fair working conditions for the tanker industry, and the maintenance of efficient and economic tanker transport services throughout the world. Our members by definition do not include government-owned or -controlled entities, nor the oil companies. A great many of our members still represent family-owned concerns, several of whom - like my own fleet - were built up only in the last 20 - 30 years. INTERTANKO members value their independence, and while the association is fully supporting national and international measures at government level in the technical and safety fields, and on the questions of crew training and welfare, we are naturally less enthusiastic about government attempts to restrict the existing commercial and economic environment in which we do our business, and which has proven to be effective, economic, and resilient.

We believe and I trust the distinguished delegates will agree, that international tanker shipping is presently best characterised by a high degree of competition. No single tanker owner, not even major oil companies both as fleet owners and as charterers, can control the market. Supply and demand of tonnage in the major trading areas determine the freight rates on a daily - if not hourly - basis. An international shipbroking network with extensive communication facilities allows for requirements and availability of tanker tonnage to be known almost instantly to all participants, and an active spot market provides the flexibility to meet the uncertainties of trade volumes and of scheduling problems. The relative freedom of access to the market by newcomers, as well as the swift economic consequences following any business failures mean that the cost of oil transportation tends

to be always lower than it would be if international competition was to be reduced by measures such as the proposals presently before you for discussion. The cost of transporting one ton of crude from the Middle East to Europe was about US\$8.00, 25 years ago, and is the same today: it is worth noting that the value of the cargo carried on the other hand has increased by about twenty times during the same period.

INTERTANKO has submitted to your secretariat a position paper which outlines the peculiar characteristics of the tanker market, explains the benefits of an active and competitive tanker spot market, and warns of the negative impact which would result from the creation of protected area - whether this be done by providing only selective access to the industry, by general cargo preference arrangements, by financial support for inefficient operators, arbitrary restrictions on the choice of flag or operating base, or by other methods. I need not repeat our detailed conclusions here but would only wish to stress that INTERTANKO fully appreciates and supports the justified aspirations of developing countries and their nationals to work towards obtaining a larger percentage of the world tanker trade. We are however strongly opposed to the proposed structural changes to bring this about, when such changes in our view disregard the very real economic achievements of the tanker industry.

A similar position was also taken by INTERTANKO some years ago against the intended tanker flag preference legislation in the United States: on the other hand our members have repeatedly re-affirmed their willingness to assist interested parties in developing countries with the build-up of bulk shipping operations by the transfer of know-how, the joint establishment of new businesses, the training of local personnel in the more specialised management and technical functions required in tanker shipping. It should be well realised in your deliberations that in terms of skilled manpower there are no shortcuts to success in the tanker industry, and that even the ready availability of both capital and of cargoes is by itself not always sufficient to build up and maintain an efficient shipping enterprise when the basic human expertise is lacking. We in INTERTANKO also believe that such co-operation between existing tanker firms and new aspirants in the developing world on a private enterprise/commercial basis would be economically more viable in the long run than any governmental measures designed to protect new ventures by national legislation. INTERTANKO believes that the existing example of such co-operation agreements clearly

demonstrate the validity of this assertion. On behalf of our members, I can only again assure the distinguished delegates of our readiness to pursue this avenue, since we also well realise that our own future success must be linked to greater diversity among the industry's participants in line with the evolution of world trade generally and the increasingly stronger involvement therein by the developing countries. Quite a few of them have already made impressive headway in shipping also in the last decade, as the annual growth rate in the fleets of the third world shows, and we are in no doubt whatsoever that this trend will in any event continue.

The question of cargo sharing in the bulk trades is now also being linked to the issue of phasing out open registries. While INTERTANKO considers the idea of cargo sharing to be of immense economic importance, we are conscious that the call for the phasing out of the open registries is motivated more by political considerations. As I mentioned in the beginning, INTERTANKO is not generally concerned with flag issues although of course the choice of flag - where such is possible - can be of great relevance to the individual owner for a number of reasons. That tonnage registered in the so-called flags-of-convenience countries has steadily increased during the past few decades is surely dramatic proof that they have provided a highly needed alternative to the more traditional registers, many of which in fact have become more liberal in permitting national owners to "flag out" to assume that the elimination of open registries would either produce better opportunities for the developing countries to participate in bulk shipping, or force a return of flag-of-convenience tonnage to traditional maritime registers would, in our view, be overlooking the convincing evidence of the important role the open registry fleets have played, particularly in the development of world bulk cargo movements, and the inability of many countries to develop or even to maintain national fleets in the face of the pressures provided by international competition and the vagaries of the shipping markets. As with cargo sharing, we believe that any restrictions on owners' flexibility to choose the most cost-effective basis for their operations, including the choice of flag, will ultimately also result in increased transportation costs and therefore higher total expenditures for the supply of wet and dry bulk cargoes throughout the world. One would assume that this cannot be in the interests of consumers in both developed and developing countries. Rather than the phasing out of the few existing open registries, INTERTANKO would recommend instead that serious

consideration be given particularly by developing countries to the possibility of establishing open maritime registers in order to generate additional national revenue as well as to prepare the ground for a more intensive development of their own national maritime aspirations. The need to provide adequate legislation and administration, adequate labour supplies, and a stable investment climate to attract shipowners would probably better assist in the promotion of local maritime interests able to participate in international shipping, and thereby help these countries in gradually achieving a more active participation in world bulk transportation.

The Executive Committee and the Council of INTERTANKO are meeting here in Geneva at this very time, and have confirmed their concern that the proposals before you, if implemented, would do irreparable harm to the efficacy of international bulk shipping without appreciable benefits elsewhere. I have been requested to convey these fears to you in the hope that INTERTANKO's views can also be taken into account when you decide on these very important issues.

Sir Yue-Kong Pao C.B.E., LL.D., J.P.

WORLD-WIDE SHIPPING GROUP
20/21ST FLOORS, PRINCE'S BLDG.
HONG KONG
TEL: H-242111

22nd June, 1979.

Prime Minister Mrs. Margaret Thatcher
10 Downing Street
London W1
ENGLAND

Hong Kong 2
Prime Minister
Just received.

R
47

Dear Prime Minister,

On my return to Hong Kong I would like to write to thank you so much for giving me time to call on you in London last week. I was greatly heartened by your deep concern about the refugee problems in Hong Kong and in the rest of Southeast Asia, and very pleased to see your personal interest also in the shipping industry, especially as it might be affected by the current energy picture.

mt
/

We of course all hope that the Summit Meeting in Tokyo will see some agreement emerging as to how the major industrialised countries will endeavour to jointly cope with the present energy and related economic problems, and I am convinced you will personally take a lead in proposing decisive action. I shall also be in Tokyo at the end of the month, and would be delighted if by any chance there was an opportunity to meet you again then.

With kind regards and all good wishes,

yours sincerely
J. K. Pao

CONFIDENTIAL

208

SUBJECT

FUE



bc + Mr. Cartledge
Hong Kong

10 DOWNING STREET

From the Private Secretary

13 June 1979

Sir Y. K. Pao called on the Prime Minister at 0930 hours this morning. The following are the main points which arose.

Sir Yue Kong said that he had recently become Chairman of INTERTANKO. The tanker market had until a few months ago been improving, but in view of the current oil shortages the market was now depressed again. The demand for tanker space was of course down because of the lower supplies that were being shipped; but, in addition, the tanker owners were suffering because of the higher bunker costs. Tanker owners were responding to this by instructing their captains to slow steam. The prospects for recovery in demand for tanker space depended partly on how successful the U.S. energy conservation measures turned out to be. Although it might be in the interests of the Western economies for these measures to succeed, if they did so, it would mean that less oil would be shipped to the United States.

The cargo shipping market, however, had improved significantly. His own company was building 14 ships in Japan and 4 in Poland. He would have liked to have built in the UK, but the Japanese were far more efficient, they could offer substantially lower prices and their delivery performance was far better. Part of the success of the Japanese yards (whose capacity had been cut back by 35%) was due, in his view, to the fact that several of them were non-unionised; and there was one very successful yard where he was building, which was still wholly controlled by a single family.

The Prime Minister said that she was very concerned about the number of Vietnamese refugees entering Hong Kong. She wondered whether the Taiwanese could help. The Government had been disappointed that they were unwilling to take in the Roach Bank refugees. Sir Yue Kong replied that he did not think the Taiwanese would help - this was partly because they were afraid of Communists coming in. The only solution to the problem, in his view, was for the refugees to be sent back to Vietnam. Only in that way would the Vietnamese Government understand that they could not simply push the Chinese population out.

/ I am sending

CONFIDENTIAL

208

CONFIDENTIAL

- 2 -

I am sending copies of this letter to Andrew Duguid (Department of Industry), Martin Hall (H.M. Treasury), and to Paul Lever (Foreign and Commonwealth Office).

T. P. LANKESTER

T. G. Harris, Esq.,
Department of Trade.

CONFIDENTIAL



Hong Kong

From the Secretary of State

T Lankester Esq
10 Downing Street
London, SW1

2 11. June 1979

Dear Tim,

4/1

Thank you for your letter of 15 May requesting briefing for Sir Y K Pao's call on the Prime Minister on Wednesday June 13. Having consulted the FCO it is thought the the Prime Minister is already acquainted with the latest situation regarding Vietnamese refugees and we have therefore not provided a further brief on this issue.

I enclose a brief and personality note.

Yours Sincerely,

Hugh Bartlett

H W BARTLETT
Private Secretary



11 JUN 1993

11 12 1
10 11 2
9 10 3
8 9 4
7 6 5

UNIVERSITY OF TORONTO LIBRARY



VISIT OF SIR YK PAO : WEDNESDAY 13 JUNE

Sir YK Pao has recently returned from UNCTAD V in Manila. He is in London for business reasons connected with inter alia his Chairmanship of INTERTANKO (The Association of Independent Tanker Owners). The call on the Prime Minister follows meetings with the Secretary of State for Trade and the Foreign Secretary. He raised no matters of substance during these meetings, however it became clear that his recent election as Chairman of INTERTANKO together with his re-establishment of personal links with mainland China were high in his list of talking points.

POINTS FOR DISCUSSION

2. Chairmanship of INTERTANKO

This organisation is supported mainly by Norwegian, Greek and Hong Kong shipowners with ships under national flags and flags of convenience. (NB Hong Kong owners rarely use their own flag.)

3. We are ad idem with INTERTANKO on a number of issues arising from the recent discussions at UNCTAD V. We believe that proposals discussed at UNCTAD for a new cargo-sharing regime in the bulk trades would destroy the efficiency and competitiveness of an essentially free market. Proposals for further work on this issue by UNCTAD were voted through at Manila by virtue of the developing countries inbuilt majority. The UK and Group B voted against.

4. A separate Hong Kong Register

Sir YK Pao was behind the unsuccessful attempt to persuade HMG that the Colony should have a separate ships' register from the UK. We considered this could lead to a fall in standards of safety and pollution control. We have no objection to the Hong Kong government pursuing the issue, if they so wish.

5. Links with mainland China

Sir YK Pao has recently visited Peking and Shanghai and established close relationships with old acquaintances. He has particularly close links with the Ministers responsible for tourism and shipping.



6. Growth of Chinese merchant marine

Sir YK Pao has been given some interesting insights which suggest that future growth is (surprisingly) limited by a shortage of qualified officers. He also believes the Chinese are unhappy about the quality of many of the 200 ships recently bought from Western interests.

7. Shipbuilding prospects

These are poor world-wide. However Sir YK Pao has shown some recent interest. Govan yard has built bulkships for him in the past and his visit presents an opportunity to ask whether they could do so again.

8. Vietnamese refugees

The Prime Minister will be aware of the latest situation.

Shipping Policy Division
Department of Trade

June 1979



VISIT OF SIR YUE-KONG PAO, CBE: JUNE 1979

PERSONALITY NOTE

Sir Y K Pao was born in China in 1918 and pursued a banking career until 1949 when following the change of regime he took refuge in Hong Kong. There he entered the import/export business and bought his first ship in 1955. He is a leading figure in Hong Kong banking and shipping circles being a Director of the Hong Kong and Shanghai Bank and, more importantly, Chairman of the largest private shipping company in the world - World Wide Shipping - of which he is the owner. He has recently made very good connections with Ministers in mainland China.

Sir Y K Pao has always made a practice when in the UK of seeking appointments with senior Ministers. His visits normally fall into the category of courtesy calls and he rarely raises issues of substance. The single exception to this was his unsuccessful attempt to persuade HMG in 1973 that Hong Kong should have a separate ships' register from the UK.

His shipping firm - World Wide Shipping - has a complex structure. Most of the ships are registered in Liberia under one ship companies but World Wide Shipping Ltd is registered in Bermuda with its main offices in Hong Kong. The fleet consists mainly of bulk ships and tankers comprising 180 vessels totalling approximately 18 million dwt. (The UK bulk carrier and tanker fleet was approximately 40 million dwt at end 1978). The World Wide fleet has been built up largely from Japanese yards and many of its ships are chartered back to Japanese interests. The company's policy of acquiring ships against a long term charter commitment by a third party - albeit at moderate rates - has enabled it to weather more successfully than most the present recession in the shipping market.

Sir Y K Pao craves respectability. He is on many committees within international shipping and banking circles. He is an honorary vice-President of the London-based charity, the Maritime Trust, but more importantly he has recently become chairman of INTERTANKO (the Association of Independent Tanker Owners) and as such is a vociferous opponent of UNCTAD-inspired schemes to phase out flag of convenience operations and impose a cargo-sharing regime within the bulk trades. He has recently returned from UNCTAD V in Manila.

Sir Y K Pao received the CBE in 1976 and was knighted in 1978.

Shipping Policy Division
Department of Trade

May 1979



File to
Hong Kong
B.F. 4/6

10 DOWNING STREET

From the Private Secretary

15 May 1979

The Prime Minister has agreed to see Sir Yue-Kong Pao, the shipping magnate, at 0930 on Wednesday 13 June. I should be grateful if you would let me have - by 1800 on Monday 11 June - briefing for this meeting. This should cover not only any shipping issues which might be raised, but also - in view of Sir Yue-Kong's banking interests - any banking issues. No doubt you will consult with the Treasury on the latter. The Foreign and Commonwealth Office may also wish to contribute on matters relating to Hong Kong.

I am sending a copy of this letter to Andrew Duguid (Department of Industry), Paul Lever (Foreign and Commonwealth Office), Martin Hall (H.M. Treasury) and Martin Vile (Cabinet Office).

T. P. LANKESTER

T.G. Harris, Esq.,
Department of Trade.



Sir Y. K. PAO

29/5

10 DOWNING STREET

From the Private Secretary

11 May 1979

Following our talk on the telephone yesterday, I have had a word with the Prime Minister and she would be delighted to see Sir Y.K. Pao during his visit to this country in June.

Could I provisionally offer you 9.30 on Wednesday 13 June and perhaps you would have a word with him to see if this would suit. I must warn you however, that there is a possibility of this time being altered because we have a state visit of the President of Kenya that week and everything might have to be changed around.

CS

Sir Timothy Kitson, M.P.

gr



10 DOWNING STREET

PRIME MINISTER

Tim Kitson rang today asking if you would see Sir Y.K. Pao when he is over here in the middle of June. He gave a large anonymous sum of money during the campaign. I could fit him in obviously for five minutes but the week that he will be in London is budget week and the State Visit of the President of Kenya. What are your views please?

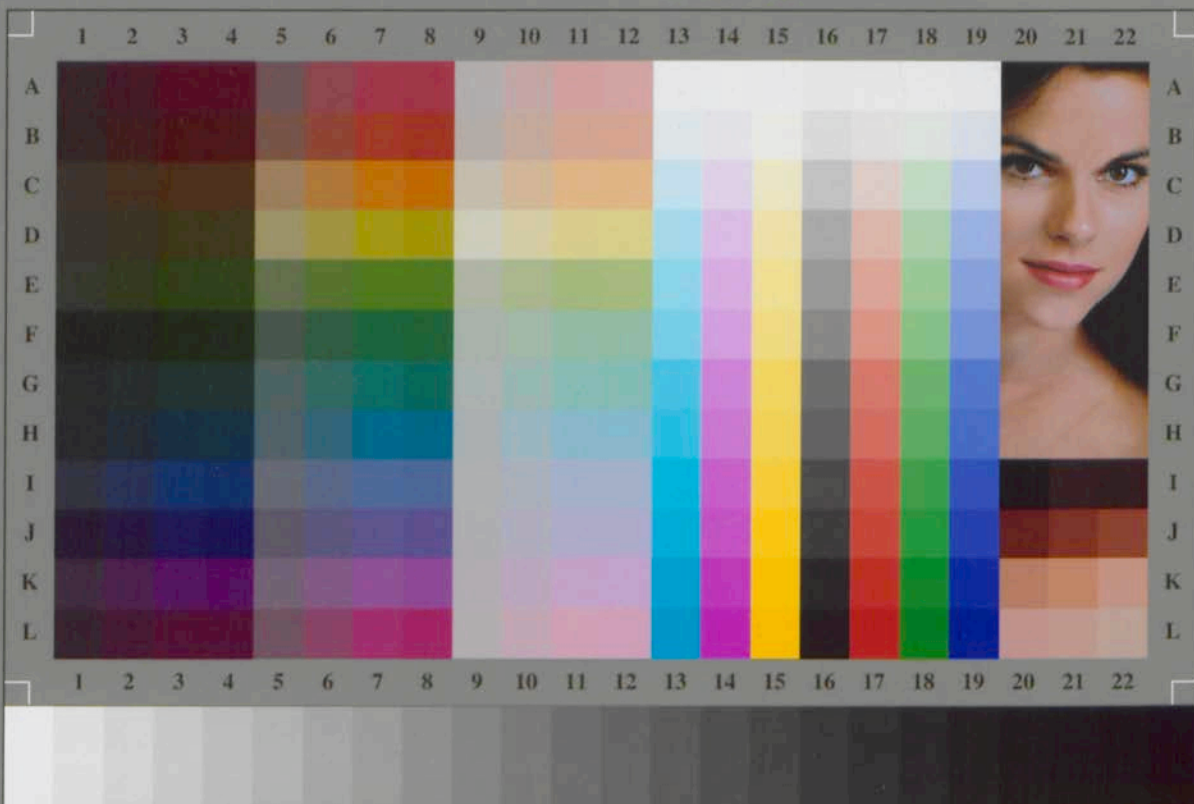
Ed.

10 May 1979

*But I don't
have to speak
on the budget
now! Fit him
in
now*

KODAK Q-60 Color Input Target

C M Y



IT8.7/2-1993
2007:03

[FTP://FTP.KODAK.COM/GASTDS/Q60DATA](http://FTP.KODAK.COM/GASTDS/Q60DATA)

Q-60R2 Target for
KODAK
Professional Papers

