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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.

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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.

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

WORLD-WIDE SHIPPING GROUP
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22nd June, 1979.

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

Hong Kong 2
Prime Minister
Just received.

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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.

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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