

Houk Long. 2



PM/82/91

PRIME MINISTERGuangdong Nuclear Power Station

*Thank you!
 hope we shall get
 the necessary
 clearance 28/8
 pub.*

Prime Minister

1. In my minute of 28 July I informed you that having considered the case for British involvement in this proposed project, I concluded that the economic and political advantages of co-operation with the PRC out-weighed the possible consequences for our non-proliferation policies.

2. However, you should be aware that there are now signs that our view may not be shared by the US Government, with possible consequences for the proposed UK/US bid for the Guangdong project. This bid emerged from recent discussions with the Chinese as more promising and as offering potentially greater rewards for British industry than the alternative UK/French proposal, but it has still not yet received the necessary clearance from the US Government. Earlier this year, on advice from US Government officials and Westinghouse that such clearance was required, our Embassy in Washington wrote to the State Department seeking an assurance that the US Government would not seek to prevent Westinghouse licensing the NNC to supply nuclear reactor equipment of Westinghouse design for Guangdong. No definitive reply has been received to this request despite unremitting pressure from officials of the Department of Industry, Department of Energy and my own Department.

3. One reason which the Americans have recently put forward for the delay is the belief, which in our view is not well-founded, that the Chinese are aiding Pakistan's clandestine nuclear weapons programme. This problem is to be reviewed urgently by

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20 AUG 1982



US and British officials in Washington during the next few days. However, in view of your impending visit to China, I have also sent a personal message to George Shultz asking him to look into the problem and provide the assurance we seek well before you leave for China, and hopefully in time to allow further contacts at official level with the Chinese before your visit. If the right answer is not quickly forthcoming - and I am not optimistic that this will happen - it will be for consideration whether you should then take the matter up personally with President Reagan.

I am copying this minute to the recipients of my previous minute.

(FRANCIS PYM)

Foreign and Commonwealth Office
19 August 1982

SECRET



Hong Kong
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10 DOWNING STREET

From the Private Secretary

25 August 1982

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 19 August, about the Guangdong Nuclear Power Station project, for which she was grateful. She has commented that she hopes we get the necessary clearance.

I am sending copies of this letter to John Kerr (H.M. Treasury), John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and Julian West (Department of Energy).

TIMOTHY FLESHER

John Holmes Esq.,
Foreign and Commonwealth Office.

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