 Hong Kong

~~Prime Minister~~

B. U. When the advice of the SofS for Industry, which I have requested, is available.

A. J. C. 25/10

Ref. A09834

MR COLES

Guangdong Nuclear Power Project

Thank you for your minute of 19 October.

2. I saw Sir Walter Marshall on 22 October, and read over to him the relevant paragraph of the record of the Prime Minister's meeting in Guangdong. I also said that Premier Zhao Ziyang had appeared to indicate to the Prime Minister that the Guangdong authorities were planning to pursue the Anglo-French option rather than the Anglo-American option.

3. Sir Walter Marshall said that he had had a message from his contacts in the Guangdong Provincial Government, proposing a meeting in Canton at which they would make available to his representative the Chinese version of the Prime Minister's conversations with the Governor of Guangdong Province. He had, however, been instructed by the Department of Industry not to take up this offer.

4. It is clear that the account which Sir Walter Marshall has received of the Chinese version of the Prime Minister's meeting with the Governor of Guangdong Province is different from our own record of the meeting. Our record suggests that there was no reference either to the Anglo-French project or to the Anglo-American project. I suppose that it is possible that the Chinese interpreted the Prime Minister's favourable references to Sir Walter Marshall as an indication that she favoured the Anglo-American project with which Sir Walter Marshall is associated. Sir Walter Marshall is of course anxious to promote the Anglo-American project because it fits in with the plans for PWR developments in this country. Lord Weinstock's preference, on the other hand, would no doubt be for the Anglo-French project in which GEC would be closely involved.

5. Sir Walter Marshall thought that the Chinese might have turned away from the Anglo-American project towards the Anglo-French project because of the problems about nuclear proliferation and the objections of the United States Government to transferring nuclear technology to the Chinese. He remarked that, if the British Government were involved in an equity stake in the Anglo-

American project, and the construction was put in the hands of Bechtel and the equipment was provided by British manufacturers, then there would be British technicians on the site for 30 years; and he had been told by the State Department in Washington that that would resolve the problems about nuclear proliferation.

6. It seems as if we do need to get a clearer reading of the position of the Chinese authorities on this project. This may necessitate further contacts with the authorities concerned. It would be for question whether these were undertaken by British Embassy personnel in Peking; or by a mission from the British Government, led by Mr Gordon Manzie of the Department of Industry; or by Sir Walter Marshall. Sir Walter Marshall firmly believes that the Chinese authorities trust and respect him, and do not trust or respect Mr Manzie, and therefore they will not reveal their real thoughts to Mr Manzie. The Departments of Industry and Energy, on the other hand, are likely to think that Sir Walter Marshall is not sufficiently detached in these matters to undertake this sort of mission.

7. I have not put anything in writing to Sir Walter Marshall, and he did not press me to do so.

RTA

ROBERT ARMSTRONG

22 October 1982

Hong Kong: Castle Peak Pt 2.

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 - 6904
SWITCHBOARD 01-212 7676

21st October 1982

N. Butler FERB

To see.

A.J.C. 22/10.

F.E.R. Butler Esq.,
Principal Private Secretary to
Prime Minister,
No.10 Downing St.,
London, SW.1.

Dear Robin,

GUANGDONG NUCLEAR PROJECT : LORD WEINSTOCK

I was grateful to you for sending me on the 11th October the record of your telephone conversation with Lord Weinstock. He has subsequently talked to me about the project and you may like to have the attached copies of letters which Lord Weinstock has written to Sir Walter Marshall and to Lord Kadoorie telling them that he wishes now to pursue the Anglo/French option.

My Secretary of State will of course be giving advice to the Prime Minister on the Guangdong Power project in response to John Coles letter to Jonothan Spencer of 20th October.

Yours ever,
Gordon Manzie.

A.G. MANZIE

15th October, 1982

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Now that the Chinese government has announced its intention with regard to the PWR station proposed for Guangdong province, we ought to get on with the formulation of an attractive Anglo-French package.

We therefore intend to approach Mr. Boulin and Mr. Lenny to ascertain whether they will work with us to realise this objective. I hope we can rely on the CEGB to give its full support.

We will keep you informed of developments.

Lord Weinstock

Sir Walter Marshall, FRS,
Chairman,
Central Electricity Generating Board,
Sudbury House,
15 Newgate Street,
LONDON EC1A 7AU.

11158

15th October, 1982

This is just to let you know that following the visit of the Prime Minister to the Far East and the subsequent statements concerning the PWR proposed to be constructed in Guangdong province, we will now approach Framatome to discuss the formation of a suitable offer of a French nuclear island with GEC Turbine Generators.

We will keep you informed of our progress.

Lord Weinstock

Lord Kadoorie,
Chairman,
China Light & Power Co. Ltd.
147 Argyle Street,
Kowloon,
HONG KONG.

Hong Kong

Guangdong

CONFIDENTIAL

76

Hong Kong

10 DOWNING STREET

From the Private Secretary

20 October 1982

GUANGDONG POWER PROJECT

I think it would be helpful if your Secretary of State could let the Prime Minister have advice, in the light of the conversations which took place during her visit to China, as to our aims and tactics with regard to this Project in future.

In general, nothing was said by the Chinese to suggest that the American option was still realistic. Such comments as they made seemed to imply that only the French option was active. But it may be that the Department of Industry, or other Whitehall Departments, have fresh information from other sources.

I am copying this letter to John Holmes (FCO), John Kerr (HM Treasury), John Rhodes (Department of Trade), Julian West (Department of Energy) and Richard Hatfield (Cabinet Office).

A. J. COLES

Jonathan Spencer, Esq.,
Department of Industry.

PERSONAL AND CONFIDENTIAL

Hong Kong

File No

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

GUANGDONG NUCLEAR POWER PROJECT

Thank you for your minute of 15 October. I see no difficulty about your reading to Sir Walter Marshall the relevant paragraph of the record of the Prime Minister's meeting in Guangdong. But, as I explained to you, we have also had enquiries from others, in particular Lord Weinstock. I intend to seek guidance from the Departments most closely concerned as to what interpretation should be placed on the various points made by the Chinese about this project during the Prime Minister's visit and what our own line should be for the future. If you are able to delay putting anything in writing to Sir Walter Marshall for the time being, you may agree that this would be best.

A.L. COLES

19 October 1982

PERSONAL AND CONFIDENTIAL

Ref: A09779

PERSONAL AND CONFIDENTIAL

MR. COLES

Sir Walter Marshall told me yesterday that he had had a message from his Chinese contacts in Guangdong reporting on what the Prime Minister had said there about the Guangdong nuclear power project. According to these reports the Prime Minister had said to the Guangdong authorities that she was very interested in and willing to support the project; she understood that the Chinese would prefer the Anglo-American project to the Anglo-French project, and that they would like Sir Walter Marshall to lead the consortium; and that that would have her support. She also said that it would take some time to sort out the non-proliferation issues with the United States.

2. This report seems to be consistent neither with our record of the Prime Minister's meeting concerned; nor with the views expressed by the central Chinese authorities; nor with the recent report in the Financial Times that it was the Anglo-French project that was leading the field.

3. I think that Sir Walter Marshall needs to know what the Prime Minister did say. If you agree, I should like to read over to him the relevant paragraph of the record of the Prime Minister's meeting in Guangdong. I should be grateful for authority to write him a letter, if necessary, telling him what was said on this subject, without passing him a copy of the record; but I would hope to be able to get by without putting anything in writing to him.

RCA

Robert Armstrong

15th October 1982

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