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PM/82/65

PRIME MINISTER

*Prime Minister*

*To note that the "non-proliferation" problem should not prevent British involvement in the Guangdong nuclear power station.*

*A.J.C. 25/7*

Guangdong Nuclear Power Station

*Has the  
Cabinet  
possibilities  
of referring  
to the  
Prime Minister  
never  
arise  
is already a  
nuclear  
power  
station*

1. I have considered the case for British involvement in a nuclear power station to be built in the Guangdong province of the People's Republic of China. There is a possibility that the UK could supply the whole of the conventional island, incorporating the turbogenerator and ancilliary equipment together with up to 50% of the nuclear island. There would also be opportunities for the sale of nuclear fuel.
2. The successful conclusion of this contract would lead to significant export opportunities (up to US \$2 billion) for British companies seeking to participate in the project. Success here would also provide a foothold in the Chinese market. There would be attendant benefits to long-term relations between the UK and PRC and more particularly between the PRC and Hong Kong. Such industrial cooperation (Hong Kong facilities would take some of the generated electricity) would help to maintain confidence in Hong Kong at a time when the territory's future is coming under close scrutiny.
3. There are difficulties, however, arising from the non-proliferation aspects of the sale. Since the Chinese insist that they will not accept International Atomic Energy Agency safeguards or any other form of inspection, the contract will represent an apparent retreat from our long-held position on nuclear transfers with attendant damage to the credibility of our non-proliferation policy. We can expect criticism from India and the Soviet Union on this apparently preferential treatment for China.
4. On the other hand, the proposed sale raises no issues of genuine non-proliferation concern. The deal would not conflict with our formal obligations under the NPT or with the Nuclear Suppliers Guidelines. China has already attained a nuclear weapons capability without our help. None of the equipment or materials to be supplied are capable of significantly enhancing that capability even if it were economically sensible to divert them to military use. The development of contacts with the Chinese on nuclear

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/matters



matters will give us an opportunity of encouraging them to move closer to the international main streams. And if we refuse to supply this power station the French will certainly step in, so the Chinese will get the technology anyway. In these circumstances I have concluded that the economic and political advantages of co-operation with the PRC on a project of this scale outweigh these non-proliferation concerns.

5. I am copying this minute to OD colleagues, Sir Robert Armstrong and the Secretaries of State for Energy and Industry.

(FRANCIS PYM)

Foreign and Commonwealth Office

28 July 1982

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10 DOWNING STREET

*From the Private Secretary*

30 July 1982

Guangdong Nuclear Power Station

The Prime Minister has noted the minute of 28 July by the Foreign and Commonwealth Secretary and, in particular, Mr. Pym's conclusion that the economic and political advantages of co-operation with China on a project of this scale outweigh the non-proliferation concerns.

The Prime Minister was relieved to see this conclusion because, so far as she is aware, the extensive earlier correspondence about the project at no point suggested that there was any possibility of abandoning proposals for UK participation on non-proliferation grounds.

A. J. COLES

Francis Richards, Esq.,  
Foreign and Commonwealth Office.

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