



AR 17/1.

CONFIDENTIAL AND PERSONAL

PRIME MINISTER

The Department of Industry have provided you with a brief (PMVW(82) B3) on the Guangdong nuclear power station project, for the purposes of your visit to China.

2. Paragraph 4 of the background note in that brief gives an account of Sir Walter Marshall's visit to Guangdong at the end of August. I happened to see Sir Walter Marshall at a social function the other day, and as I knew that he had been to Guangdong I asked him how he had got on. His account in some respects amplifies what is said in the brief.

3. His interlocutors in Guangdong made it clear that they were speaking with the full knowledge and authority of the Peking and Guangdong Governments. It was also clear that there was a deliberate decision to bypass the China Light and Power Company (CLP).

4. The outcome of the talks was to the effect that the message which would come from the Chinese Prime Minister to you would be on the following lines:

- (i) China is strongly interested in a United Kingdom/United States package and would welcome a bid accordingly.
- (ii) China is looking for your personal interest in the project.
- (iii) The Chinese Government would like Sir Walter Marshall to organise the project.

5. On the third of these points Sir Walter Marshall said to the Chinese that it would be impossible for him to undertake the organisation of the project unless given a direct instruction to do so by you; he said to the Chinese that he thought you were unlikely to give such an order, because he had recently undertaken large new responsibilities as Chairman of the Central Electricity Generating Board.

6. Sir Walter Marshall went on to tell me what he thought were the reasons why he had been invited and why he had been given the message which he had been given. He said that he thought that the Chinese Government's scientific advisers had now come round to the view which he had expressed to the Chinese two years ago that the United Kingdom/United States package, based on the Westinghouse PWR, was technically preferable to the Anglo-French package with Framatome.



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They thought that CLP were losing interest in the idea of equity participation in the project: Lord Kadoorie had been steadily pulling back on this. They did not want the project to be directed by Mr. Stones of CLP, whom they no longer trusted. On the other hand some form of partnership was essential: Sir Walter Marshall thought that the Peking Government were probably making that a condition of their agreement. The Guangdong Government were therefore looking for direct involvement, including equity participation, by the United Kingdom Government, through the CEGB or the AEA. On the other hand the British would depend crucially on the CLP demand for power; CLP's interest as a customer for power had therefore to be retained.

7. If you wanted to respond positively to the Chinese Prime Minister, you would need to make the points on non-proliferation in paragraph 4 of "Points to Make" in the brief. Sir Walter Marshall thought that you should also state that safeguards inspection would not be required by the British Government and that you hoped the United States Government would agree with that.

8. Sir Walter Marshall went on to say that he thought that, if this project were to go ahead, it would have to be based on a joint venture between the Guangdong Government and either the CEGB or the AEA. Such an agreement would ensure that there would be British operators on the plan up to the A020; this would provide automatically a degree of safeguards inspection. The hardware for the project would be provided by Westinghouse, NNC and GEC, and fuel would be supplied by British Nuclear Fuels Limited. Construction would be undertaken by Bechtel. Sir Walter Marshall recognised that the risks would be very great, including the political risks of a change of regime in China, as the brief makes clear. On the other hand, it could help to "thicken" Anglo-Chinese relations for a long period of time.

9. Sir Walter Marshall made it clear that he believed that, because the Chinese Government had now come to agree with advice which he had given two



years ago and which they then disregarded, he enjoyed the confidence of the Guangdong Government to a higher degree than CLP or than any representative of the British Government.

A handwritten signature in dark ink, consisting of the letters 'R' and 'A' in a stylized, cursive script.

ROBERT ARMSTRONG

10 September 1982

CONQUEROR