



DEPARTMENT OF TRADE AND INDUSTRY
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Secretary of State for Trade and Industry

6 June 1985

C Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

CDP
9/6

Dear Charles,

You requested advice on the letter of 5 June from Mr Rees Davies.

Our advice is that it would not be appropriate at this stage for the Prime Minister to raise this project with Premier Zhao. IPSECO have been lobbying this Department for Ministerial support in pursuing their projects in China. Because of a number of problems which have arisen on previous contracts taken by IPSECO, we have insisted that they should secure the full commitment of Hawker Siddeley, whose diesel generators they would be selling, to the projects. To date this has not been forthcoming.

Officials in this Department do, however, expect to meet Hawker Siddeley and IPSECO shortly to discuss their proposal for a Ministerial letter.

Yours sincerely,
Maureen Dodsworth

MAUREEN DODSWORTH
Private Secretary

China : Relations A3

DEPARTMENT OF TRADE AND INDUSTRY
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CONFIDENTIAL

W Rees Davies QC

IPSECO INTERNATIONAL POWER SYSTEMS LIMITED

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TELEPHONE 01-930 9593 TELEX 8952072

5 June 1985

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

My Dear Prime Minister.

Visit of the Chinese Prime Minister and Delegation

Provision of Diesel Factory and Four Rural Power Plants (12MW)
from the UK to the Value of £100m

I act for Ipseco International Power Systems Limited, a wholly British owned company based in Jermyn Street, founded six years ago, contracting primarily on a government to government basis for the supply of complete turnkey power stations and fuel facilities together with their management and the training of local personnel.

A contract to provide the above factory and power plants is ready for completion and protocols have been signed. George Jellicoe, with whom I have collaborated closely, is of the opinion that support from our Government may achieve the desired results with the Chinese decision makers. With the Chinese here in the U.K. it is felt that a good opportunity exists if a few words were spoken to the Chinese regarding this project on this visit.

Ipseco has acted as the main contractor in the building of power stations and in managing them for up to ten years afterwards. For example in the Pacific, Ipseco has built power stations in the Marshall Islands (12MW) and Palau (16MW) together with large oil storage facilities. In these contracts the company has had the full support of ECGD and the British banks. The power stations have achieved 99.8% reliability and are the most cost effective for small or isolated communities.

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Negotiations with the Republic of China

Early in 1984, Ipseco was invited by the Hong Kong office of the Chinese State Agency to co-operate with its parent body, CMEC, in the field of power generation. These dealings led to negotiations for Ipseco to erect a factory for China to produce diesel engines and alternators. Ipseco are working in close collaboration with Mirrlees Blackstone and Brush Electrical Machines. These companies are subsidiaries of Hawker Siddeley and will provide the most suitable method of power generation in rural areas. In the Chinese market for such products, the company is not faced with other British competitors.

Following several visits to China in 1984, protocols have been signed with CMEC contemplating the use of this equipment in diesel power stations in China on the basis of joint ventures between CMEC and Ipseco to lead later to the export of such equipment, manufactured under licence in China, to other areas in the Far East and the Pacific. The present state of negotiations is that the plans for the diesel engine factory are complete at the technical and middle management level and Ipseco is advised that the impetus necessary to complete the matter lies with senior decision makers on the Chinese side and the matter can best be concluded by a few words spoken at government level. I have therefore taken the matter up with George Jellicoe and on the basis of our association in this contract with Hawker Siddeley, he agrees that this would be the wise course.

I would not have troubled you or Norman Tebbit in such a matter had it not become apparent that Government, under your lead, are achieving such fine results in your policy of trade with China and therefore, that the Chinese clearly appreciate the support at government level. The success of this project with our association with Hawker Siddeley could prove a real boon for the U.K. trade in the field of power supply for the future. We look forward literally to switching on the lights in China which could lead to a great benefit and expansion for their future. We would, of course, welcome any opportunity to meet the Chinese delegation before they return to explain any matters arising.

As you may remember I have connections with the Far East and recognise that the best approach to the Chinese can often prove the decisive factor.

Kindest Regards

*Yours sincerely
Billy Ross Jones*

cc: The Rt Hon Norman Tebbit MP