

Hong Kong

NOTE OF A MEETING HELD AT
IN ROOM 11.01 ASHDOWN HOUSE

AM ON WEDNESDAY 30 APRIL 1980

Present:

Secretary of State
Mr Manzie
Mr Benjamin
Mr Havelock

Sir Lawrence Kadoorie

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1 Sir Lawrence Kadoorie said that he had seen the Secretary of State for Trade the previous day. He also thanked the Secretary of State for his letter of late April, promising to provide the specialists needed for the Guangdong Power Station feasibility study. Sir Lawrence said that the involvement of China Light and Power (CLP) in the Guangdong project had arisen through their contacts with an American firm of nuclear consultants. The firm had decided that the US market in this field was saturated and had explored the possibility of entering the Chinese market, but he had been told that the Chinese Government would only deal with them if CLP were involved. The idea was that CLP would take half the output of the power station to be built in Guangdong Province and, thereby, the project would earn sufficient foreign exchange to pay for itself. The main reason for the project seemed to be prestige rather than economics. In his view a coal fired station would probably proved to be more economic.

2 CLP had decided that it was better for them to be involved in the feasibility study and that there was a 40% chance that the power station would eventually be built. If the UK could get in on the first stage then it would have the opportunity to write the specification which would give it an advantage but contracts for plant would, of course, have to be awarded on a competitive basis. The study group was very fortunate in having Dr Walter Marshall of the AEA to help it. In fact, the Chinese felt they could trust the UK to carry out an impartial study because they had no PWR of their own. The idea would be for CLP to run the power station for the first 15 years, until the outstanding loan had been paid off, thus giving investors confidence, whilst training the Chinese eventually to take over.

3 Sir Lawrence went on to discuss the difficult situation arising out of the CAA's refusal of a licence to Cathay Pacific to operate the London-Hong Kong route. The Guangdong project had the strength of standing on three legs: the UK, China and Hong Kong all had a genuine interest. If therefore, Cathay Pacific could be put on the same sort of footing he believed that there would be much more of an incentive for

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the UK to grant them a route. In other words, he suggested that the Chinese Government might take a stake in Cathay Pacific and that the airline could use its three new Boeing 747's to operate a service between Peking, Hong Kong and London. He had told the Secretary of State for Trade about this.

4 The Secretary of State concluded by saying that he was more than ever impressed by Sir Lawrence's vitality and fertility of ideas. He asked whether there was anything else that he ought to do. Sir Lawrence replied that there was nothing at the present time, he just wanted access to the Secretary of State if things should go wrong. In his view it was more important that he should keep in touch with the Department because unless the Guangdong project had the expertise of the Government behind it the UK would not get the business. He said that the study group had another meeting with the Guangdong provincial authorities on 26 May. He also said that he wanted to impress on the Secretary of State the depth of feeling in Hong Kong about Cathay Pacific, although stressing that he had no interest in the company. He also asked the Secretary of State to pass on to the Prime Minister his best wishes.

Peter Stredder.

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Circulation:

PS/Ministers
PS/Secretary
Mr Manzie
Mr Bullock
Mr Benjamin
Mr Clark
Mr Havelock
Mr Mathrani

PS/Prime Minister
PS/SoS for Foreign and
Commonwealth Affairs
PS/SoS for Trade

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