



CONFIDENTIAL
Foreign and Commonwealth Office

London SW1A 2AH

28 October 1980

Handwritten initials

MS

Prime Minister

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This is the project you have discussed with Sir L. Kadarone.

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Dear Sir,

Guangdong Nuclear Power Station Project

The Secretary of State for Industry wrote to the Foreign and Commonwealth Secretary on 22 September about the Guangdong project.

Because of the postponement of Lord Carrington's visit to China, he could not explore Chinese attitudes to this project, as suggested in Sir Keith Joseph's letter. However, Lord Carrington was able to mention it briefly to the Chinese Foreign Minister when he was here on 1 October and the Prime Minister touched on it in her conversation with Huang Hua. Huang confirmed that the Chinese government were aware of the contacts which had taken place and supported the idea of exploratory discussions. But he was clearly not briefed on the details.

We therefore asked HM Ambassador to take the matter up in Peking. The instructions sent to him took account of the points made by Mr Biffen in his letter of 1 October to Sir Keith. Sir Percy Cradock had an opportunity to raise the question with Premier Zhao Ziyang on 12 October and subsequently went into more detail with a senior official. I enclose copies of the Ambassador's reporting telegrams.

These discussions yielded about as much as we could reasonably have expected at this early stage. We have registered our firm interest in the project. While emphasising that they intend to rely primarily on coal and hydro-electric power, the Peking authorities have confirmed that nuclear power has a place in their plans and that Guangdong is regarded as a suitable area for it. They have also made it clear that they approve of the continuation of discussions between Guangdong and China Light and Power in Hong Kong.

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There are of course still many unanswered questions. Lord Carrington agrees with Mr Biffen that Ministers may need to discuss some of the issues in due course. A new factor is the agreement reported to have been reached during President Giscard's visit to Peking for the French to supply two nuclear reactors to China. The details, including the sites and the financing arrangements, remain to be settled; no contracts have yet been signed. But the French have the advantage of being able to offer a complete package and could well mount a strong bid for the whole of the Guangdong project. Assuming the project goes ahead, we shall need to consider how best to use the Hong Kong connection to secure significant British participation.

I am sending copies of this letter to Michael Alexander (No 10), John Wiggins (Treasury), Stuart Hampson (Department of Trade) and Julian West (Department of Energy).

Yours ever

Roderic Lyne

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Private Secretary

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