

01 211 6402

The Rt Hon Norman Tebbit MP  
Secretary of State for Trade and Industry  
1 Victoria Street  
London  
SW1H 0ET

25 November 1983

I had a word with you the other day about conversations that took place when I visited the Castle Peak Power Station and was entertained by Lord Kadoorie.

Lord Kadoorie consulted me as to whether he should send a letter to the Prime Minister. He argued that the Prime Minister, when she visited Castle Peak, had made it clear to him that he should contact her whenever he felt that the British Government could be of help.

I discovered afterwards that, in fact, a draft of this letter had already been shown to Lord Rhodes and was in the possession of your Department and our Trade Commissionnaire in Hong Kong.

I also gather that you have made it clear to Lord Rhodes there was no way that the British Government could or would be putting equity into such a project.


Obviously we do wish to retain a relationship which enables us to obtain a billion pounds worth of orders for the United Kingdom. Both on the trade and industry sides it must be a matter for you to decide what, if anything, can be done to secure these orders.

Perhaps due to my long background of fighting the French I have a nasty unease that, in spite of their understanding with GEC, the French may try to obtain all the orders. Certainly as far as my own Department is concerned, if we can be of any help in any arrangements you recommend to secure maximum orders for Britain we would want to do just that.

The main beneficiary from the orders would seem to be GEC. They may have ideas about how £25 million token support could be operated in such a way as to secure the orders that are required.

Can I also say that if you felt that in any of the arrangements you wish to pursue the CEGB could be of help, I would be only too happy to put to them any suggestions that you would like to make. I am copying this letter and the enclosure to the Prime Minister.

With best wishes.



PETER WALKER

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The Rt. Hon. Margaret Thatcher, MP  
Prime Minister  
10 Downing Street  
London SW1  
ENGLAND

Dear Prime Minister,

- 1) This letter is written at a time when I believe that the UK and Hong Kong Governments' connection with the project to build a nuclear power station in Guangdong Province is very much in the balance.
- 2) We now know that the Chinese have definitely decided to proceed with or without British participation and that there are other nationals eagerly waiting in the wings in the hope of obtaining a major, if not the total share of this project.
- 3) Four years of concerted effort by CLP has placed the UK in the lead to supply the conventional island, worth approximately Sterling £ 1,000 million of export orders, but there are still important decisions to be taken and any slip now could mean the contract for the total plant would pass to others.
- 4) This anxiety is well founded, because the Chinese are still unhappy at the idea of purchasing untried prototype 950 MW turbines from GEC, who, as yet, have never made such plant.
- 5) The Chinese are anxious for CLP to cooperate in the design, engineering, commissioning and long term operation of this power station, but this in itself provides no guarantee that the conventional island will pass to the UK.
- 6) I consider it essential at this critical period, for the UK Government, to demonstrate its willingness to assist China towards achieving their Four Modernization Programme.

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- 7) In the case of the UK Government, this can best be done by their participation in the equity capital of HKNIC, a Hong Kong registered company capitalized at approximately Sterling £ 100 million, to be the party representing the 'foreign' investment in the joint venture.
- 8) I am well aware and fully support the policy you advocate regarding Government investment in the private sector.
- 9) In this instance, however, the stakes are high. We cannot ignore the magnitude of the project, its political implications and the possibility of obtaining Sterling £ 1,000 M of orders for the UK.
- 10) In Chinese terms, there is much 'face' to be gained by the UK making a comparatively minor investment of Sterling £25M of risk capital in HKNIC.
- 11) This would show the UK's confidence in GEC equipment and in the viability of the project. At the same time, this would reaffirm to the people of Hong Kong the continued interest of the UK Government in their welfare.
- 12) On our part, subject to further negotiation with the Hong Kong Government, my Board has agreed to purchase a 20 percent (approximately Sterling £20M) interest in HKNIC and to assist the Chinese to the best of our ability but I must stress that we have only done this with UK and Hong Kong long term interests in mind.

Sincerely yours,

*Lawrence Kadonji:*