

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

1 December 1983

GUANGDONG NUCLEAR PROJECT

The Prime Minister was grateful for your Secretary of State's minute of 29 November about the Guangdong nuclear project. She has written in the terms proposed to Lord Kadoorie, and I enclose a copy of this reply.

The Prime Minister very much agrees with the views of the Governor of Hong Kong and our Ambassador in Peking, as recorded in paragraph 5 of your Secretary of State's minute.

For diary reasons it is unlikely to be possible for the Prime Minister to meet Lord Rhodes in the near future. We would propose, therefore, to acquaint him in writing with the Prime Minister's response to Lord Kadoorie.

I am sending copies of this letter to Peter Ricketts (FCO), Judith Simpson (HM Treasury) and John Neilson (Department of Energy).

MR. D. BARCLAY

Miss Ruth Thompson,
Department of Trade and Industry.

CONFIDENTIAL



10 DOWNING STREET

THE PRIME MINISTER

1 December 1983

cc: DTI
Fco
HMT
①Energy

A

DSG

Dear Lord Kadoorie,

Thank you for your letter which Peter Walker delivered to me on his return from the Far East.

I continue to follow developments on the Guangdong project with great interest and I was pleased to hear from Peter Walker of the great progress which is now being made on the preparatory work. I know that the Hong Kong Government has looked carefully at the implications of the project for Hong Kong and I was pleased to note the positive view reached by the Executive Council on 8 November. I believe this marks an important step forward.

I have always agreed with your view that the project offers a unique opportunity to strengthen the ties between the PRC, Hong Kong and the UK. It was with this in mind that Norman Tebbit listened carefully to the arguments put forward by Lord Rhodes and Lord Maclehorse that the British Government should consider putting a modest amount of equity into the Hong Kong Nuclear Investment Company (HKNIC). Officials, too, bore in mind the political significance of the project in exploring views in Hong Kong on this issue in November.

/ Nevertheless

DSG

- 2 -

Nevertheless, after full consideration, I have concluded that putting equity into HKNIC is not the way in which the British Government should seek to support the project. I am sure you will appreciate that such a step would be quite contrary to our policy of reducing government shareholdings in the private sector wherever possible. And I believe that we can play a more useful and constructive role by providing a positive framework at Government level for detailed discussions between all the interested parties, and by supporting GEC's bid with attractive financing terms. Indeed, we have already made an important contribution in this way, and we shall continue to do so. Investing equity in the Hong Kong Nuclear Investment Company must be primarily for the private sector to take up. CLP will naturally wish to take a leading position but I understand that the Hong Kong Government would be willing to explore with you the possibility of encouraging the Hong Kong institutions to come in.

I hope you will understand that this does not reflect any diminishing of the importance which the British Government attaches to the project. While I must conclude that it would be inappropriate for the British Government to take an equity stake in HKNIC, I can assure you that we shall continue to do all that we can to support your efforts to bring the project to a successful conclusion.

Yours sincerely
Margaret Thatcher

The Lord Kadoorie, C.B.E.