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PM/84/175

PRIME MINISTER

CPC

NBPM
AM
28/11Guangdong Nuclear Project

1. I have seen Paul Channon's minute of 20 November proposing that we should take the opportunity of the forthcoming Anglo-French summit to re-emphasise to the French the importance of maintaining a common front in the face of Chinese demands on financing. I have also seen Peter Rees's minute of 22 November.

2. I fully agree with Paul Channon's recommendation. We have included the appropriate points to make in your briefing for the summit. The Chancellor, Geoffrey Pattie (DTI) and I will also be briefed to speak accordingly to our French counterparts.

3. I also agree with Peter Rees that we should at no stage adopt a supine attitude towards the French, and implicitly, the Chinese on financing. The Chinese do indeed appear committed to the project, and the French must realise the potential cost to themselves of pricing GEC out of it. However, in the event of circumstances departing from this logic, we must not overlook the foreign policy dimension.

4. This has two aspects. Firstly, cancellation of the project (particularly if it could be alleged that this was due to lack of interest on the part of HMG) would have a damaging effect on confidence in Hong Kong. In fact cancellation seems most unlikely at present. But we should

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do what we can to guard against both cancellation and blame being attributed to us. Secondly, and perhaps more important, if GEC were to withdraw in favour of the French, their trading reputation worldwide and particularly in China (at a time when we are working hard to increase British exports to China) would clearly suffer. This would be highly undesirable. I therefore welcome Paul Channon's decision to upgrade China's ECGD rating. This will help us to remain competitive.

5. There will be a good opportunity to give a boost to GEC's efforts to win this contract when you are in Peking next month.

6. I am sending copies of this minute to Paul Channon, other EX colleagues, Peter Walker and Sir Robert Armstrong.



(GEOFFREY HOWE)

Foreign and Commonwealth Office

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