

FILE



10 DOWNING STREET

BF 30.12.85.

TO WMA

See MS.DTI to PM 24/12.

We need to confirm
in writing to M. Cocks
that PM is content.

~~CDT~~. No need
at all.

To note. You were aware
that a report like this might
come through.

You may wish to write
to confirm the PM's agreement.

MCA 30/12



10 DOWNING STREET

Prime Minister

An answer is
needed by tomorrow
evening (Boxing Day)

Monica

25/12

Charles CDP 30/12

The Duty Clerk passed the
PM's decision to Mr. Cameron's office.

MCA 3/12

Mike Neilson - Esis office
0582 281 42



DEPARTMENT OF TRADE AND INDUSTRY

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(Direct dialling) 01 - 215)

GTN01 - 215) 5144

(Switchboard) 01 - 215 7877

Matthew Cocks - 737 3622
or 274 5448

Mark Addison

With the Compliments of

the Minister for

Trade's Office - 24/12/85

Mr Channon's minute
and relevant past papers
attached. I am contactable
over Christmas via the
DTI Duty Officer (215 7877)

CS 117

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migrated to
chequers



PM content.
FCS content.
Told M. Cocks Prime Minister ①

PRIME MINISTER

26/12.
11.00am
A.M. duty clerk.
Content that we should reduce the premium by £5.5m, to match the French position, on the basis that Treasury and FCO are content?

MEA 24/12

GUANGDONG NUCLEAR PROJECT

Addendum - The Economic Secretary is content with this proposal!
Doby Clerk 24/12.

In Leon Brittan's absence, I am minuting you about this project. Events have moved on since Leon wrote to you on 19 December. The French have reduced their export credit premium by 45 per cent, halved their bank fees, and made some concessions on support for local costs. They have reached agreement with the Chinese and have signed MoUs covering the finance package as well as the Framatome and EdF contracts.

2 The pressure is now on the UK side. Following further movement GEC still face a price gap of £5 million. A political move may help them to settle for less than this. But in any event we must agree to re-open financial discussions if we are to win the contract, with the French in the wings ready to take over from GEC should we drop out. The Ambassador has suggested, and I agree, that he should see Vice Premier Li Peng to attempt to settle the price question on GEC's behalf, while indicating our preparedness, in the special circumstances of this project, to consider further moves on the financial package in the light of the French settlement. GEC would have to bear any remaining price concessions. The Chinese have set a deadline for agreement on price, if not on finance, of 31 December and we have to decide very quickly what we are prepared to do.

M01AFQ

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3 The main problem is on premium, and I propose that our officials should be given a negotiating brief to make an offer that broadly matches the French position. This would entail a reduction of £5.5 million on the premium applicable to the present contractual position taking the concessionality of our offer from about 24 per cent to about 26 per cent, slightly over the 25 per cent limit that was agreed in February 1984 at EX. The eventual amount, and the concessionality of the premium reduction in the actual contract, will vary somewhat from this depending on the final terms of payment and scope of supply. However, I think the likely overshoot of the 25 per cent limit will not be large.

4 I would be grateful if you and colleagues could let me know that you are content with my proposal by noon on Friday 27 December to allow our Ambassador to see Vice Premier Li Peng on 28 December and thus meet the Chinese timescale.

5 I am copying this minute to Geoffrey Howe and Ian Stewart.

Matthew Cocks

for PAUL CHANNON

(approved by the Minister and signed in his absence)

24 DECEMBER 1985

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