



Mike Neilson-Esis Office 0582 281 42

DEPARTMENT OF TRADE AND INDUSTRY

Room

1 - 19 Victoria Street

London SW1H OET

Telephone:

(Direct dialling) 01 - 215)

GTN01 - 215)

(Switchboard) 01 -215 7877

Ma H/Lew Cocks - 737 3622 05 274 5448

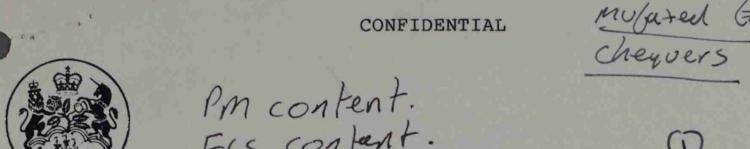
mark Addison

With the Compliments of

the Minister for Trade's Office - 24/12/85

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

CS 117



Told M. Cocks Prime Minish

PRIME MINISTER

1.000m. Content that we stoud reduce

A.M. the premium by £5.5m, to netch

the French position, on the trains that

Treasing and Free one content?

MERO 21/12

GUANGDONG NUCLEAR PROJECT

Addendum - The Economic Secretary is content with this

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.

MOLAFQ

CONFIDENTIAL



- 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.
- 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

M01AFQ