

File



Subject
u. Master
and
Hong Kong :
Castle Peak +
Guangdong
Pt. 3

10 DOWNING STREET

From the Principal Private Secretary

21 DECEMBER 1984

Dear Len,

PRIME MINISTER'S MEETING WITH LORD KADOORIE

THE PRIME MINISTER HELD A SHORT MEETING WITH LORD KADOORIE AT GOVERNMENT HOUSE, HONG KONG, AT 1645 ON THURSDAY 20 DECEMBER. SIR SIDNEY GORDON, VICE-CHAIRMAN OF CHINA LIGHT AND POWER, AND MR. CHRISTIAN ADAMS, BRITISH TRADE COMMISSIONER IN HONG KONG, WERE PRESENT.

LORD KADOORIE SAID THAT HE HAD WANTED TO REPORT TO THE PRIME MINISTER ON THE BACKGROUND TO THE DIFFICULTIES WHICH HAD ARISEN IN THE NEGOTIATIONS OVER THE GUANGDONG NUCLEAR PROJECT. NEGOTIATIONS HAD PROCEEDED SMOOTHLY FOR 4 YEARS AND THERE HAD BEEN NO OBJECTION FROM HIS ASSOCIATES IN EXXON. HOWEVER, DIFFICULTIES HAD ARISEN WHICH HE ASSOCIATED WITH MR. JACK BENNETT, VICE-PRESIDENT OF EXXON, WHO HAD POINTED OUT THAT CHINA LIGHT AND POWER NEEDED EXXON'S PERMISSION TO ENTER INTO AN AGREEMENT WITH THE CHINESE GOVERNMENT AND HAD ARGUED THAT THE POSITION OF EXXON MIGHT BE DAMAGED BY SUCH AN AGREEMENT. THE DIFFICULTIES HAD BEEN OVERCOME AT SOME COST TO THE CREDIBILITY OF CLP WITH THE CHINESE. LORD KADOORIE HAD BEEN PERSONALLY DISTRESSED BY THESE DIFFICULTIES BECAUSE HE FELT THAT THEY INPUGNED THE GOOD FAITH IN WHICH HE HAD BEEN DEALING WITH THE CHINESE GOVERNMENT. HE NOW WAS 90 PER CENT CERTAIN THAT THE NEGOTIATIONS WOULD PROCEED TO A SUCCESSFUL CONCLUSION AND WOULD PROVIDE A UNIQUE OPPORTUNITY FOR BRITAIN TO SUPPLY TURBINES WHICH WERE UNPRECEDENTED IN TERMS OF THEIR COMBINATION OF SIZE AND SPEED. EXXON WERE STILL THREATENING TO WRITE TO THE CHINESE GOVERNMENT ABOUT THEIR WORRIES, BUT HE THOUGHT THAT THIS COULD BE AVERTED. SIR SIDNEY GORDON ADDED THAT HE WAS EVEN MORE

CONFIDENT OF THE OUTCOME THAN LORD KADOORIE. PROVIDED THAT EXCO GAVE THEIR APPROVAL ON 3 JANUARY, HE BELIEVED THAT THE AGREEMENT COULD BE SIGNED BY 18 JANUARY.

LORD KADOORIE SAID THAT THE EFFECT ON THE HONG KONG AGREEMENT ON NATIONALITY QUESTIONS WAS MAKING IT DIFFICULT TO RETAIN KEY PERSONNEL IN HONG KONG. HE REFERRED PARTICULARLY TO ONE OF CLP'S KEY NEGOTIATORS ON THE GUANGDONG PROJECT, DR. Y. B. LEE, WHO HAD BEEN OFFERED A POSITION IN AN AUSTRALIAN UNIVERSITY: HE DID NOT WISH TO TAKE THIS UP ON HIS OWN ACCOUNT BUT MIGHT BE OBLIGED TO IN THE INTERESTS OF HIS FAMILY. HOWEVER, LORD KADOORIE HOPED THAT, WITH THE HELP OF LORD RHODES, IT WOULD BE POSSIBLE TO SECURE A BRITISH PASSPORT FOR DR. Y. B. LEE AS AN EXCEPTION TO THE GENERAL ARRANGEMENTS. MORE GENERALLY, LORD KADOORIE SAID THAT HE BELIEVED THAT THE DEPARTURE OF KEY MIDDLE-RANKING PERSONNEL FROM HONG KONG WOULD BE TEMPORARY, BUT HE STRESSED THAT SUCH PEOPLE FELT THE NEED OF SOME FALL-BACK IN CASE THINGS WENT WRONG IN HONG KONG.

THE PRIME MINISTER THANKED LORD KADOORIE FOR COMING TO CALL ON HER. SHE SAID THAT SHE HOPED THAT THE NEGOTIATIONS OVER THE GUANGDONG POWER STATION WOULD BE BROUGHT TO AN EARLY CONCLUSION. THE PRESENT TIME WAS A FAVOURABLE ONE FOR SECURING A GOOD SHARE OF THE CONTRACT FOR BRITAIN. LORD KADOORIE CONCLUDED BY EMPHASISING THE CONFIDENTIALITY OF WHAT HE HAD TOLD THE PRIME MINISTER ABOUT HIS FEELINGS ABOUT EXXON.

I AM COPYING THIS LETTER TO MICHAEL REIDY (DEPARTMENT OF ENERGY) AND CALLUM MCCARTHY (DEPARTMENT OF TRADE AND INDUSTRY).

Your ever,

Robin Butler

LEN APPLBYARD ESQ
FOREIGN AND COMMONWEALTH OFFICE

COMMERCIAL IN CONFIDENCE