

SUBJECT



TIS4/79^T JP.

cc FWO.
DOI

10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. TIS4/79^T

Y
Your Excellency,

Ever since my visit to Romania in 1975, I have been following with great interest the rapid development of Romanian industry and the consequent increase in trade and co-operation between our countries. This development in trade has, I know, been greatly stimulated by the visit which your Excellency and Madame Ceausescu paid to this country in June, 1978. I was particularly pleased at the successful conclusion of the agreements covering the construction of the BAC 1-11 aircraft in Romania, and I am therefore prompted to write to you now about another project of collaboration between our countries which could be almost as important as the BAC 1-11 project to commercial relations between us.

One of the British industrialists who called on you at Buckingham Palace during your visit to this country was Sir James Woodeson, Chairman of Northern Engineering Industries. You will know that during your visit to this country NEI signed a Protocol with your Minister of Machine Building, Mr. Ion Avram, covering economic and technical co-operation. NEI has submitted to Romania an offer covering collaboration in the manufacture of large turbo generators and associated equipment and their integration and use in a national power generation system. NEI has unrivalled experience in the construction of turbogenerators for use with CANDU nuclear reactors of the

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type which Romania is to use. Equally important, the company has great experience in the integration of similar very large machines into the national electricity system in this country and I understand that it is very pleased to have been asked recently to extend its bid to include the entire power generation complex except for the nuclear reactor itself. This will enable NEI to offer its extensive experience in the whole field of power generation as part of the far-reaching and long-term programme of international co-operation which it has proposed.

I understand that technical and commercial negotiations have taken place between your authorities and NEI and that you intend to reach a decision in the near future. I am sure that it will be to the benefit of both our countries and to our overall relationship to conclude this project between us, and I am therefore writing to recommend to you the offer from NEI and to urge you to give it favourable consideration. I can think of no event which would augur better for the continuation of the high level exchanges between our two countries.

Yours sincerely
Raymond Holston

His Excellency Mr. Nicolae Ceausescu



Foreign and Commonwealth Office

London SW1A 2AH

14 February 1980

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Dear Michael,

Prime Minister

Romania

Am

/ I enclose a reply from President Ceausescu to the Prime Minister's letter of 17 December. It was delivered to the Foreign and Commonwealth Office on 12 February by the Romanian Embassy.

If you agree, we shall send a copy of the reply to HM Ambassador in Bucharest.

I am copying this letter with enclosure to Stuart Hampson (Department of Trade).

Yours etc

Paul

(P Lever)

Private Secretary

M DO'B Alexander Esq
No 10 Downing Street



10 DOWNING STREET

From the Private Secretary

28 November 1979

Romania: Northern Engineering Industries

I enclose a copy of a letter to me from Hugh Bartlett in the Department of Trade which was not copied to you originally. I also enclose the signed text of a letter from the Prime Minister to President Ceausescu about Northern Engineering Industries' bid for the supply of a turbine generator to Romania. I should be grateful if you could arrange for the Prime Minister's letter which, as requested by Hugh Bartlett, is undated, to be forwarded to Paul Holmer in Bucharest.

I am sending a copy of this letter and of the Prime Minister's letter to Hugh Bartlett (Department of Trade).

M. OD. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.



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From the Secretary of State

M O'D B Alexander Esq
Private Secretary
10 Downing Street
Whitehall
SW1

27 November 1979

Dear Michael

ROMANIA: NORTHERN ENGINEERING INDUSTRIES

Rex Browning of this Department spoke to you recently about the possibility of the Prime Minister sending a message to President Ceausescu of Romania in support of the bid by Northern Engineering Industries for the supply of a turbine generator to Romania in connection with Romania's installation of a CANDU nuclear reactor. The initial contract is now likely to be worth about £170 million and further business of more than £200m in the same field over the next 10-15 years is likely to be influenced by the award of the first contract. It has now been agreed that ECGD cover will be available for the initial contract.

We have recently heard from our Embassy in Bucharest that a decision on the award of the first contract may be made soon after the end of the Party Congress on 24 November. Sir James Woodeson, Chairman of NEI has indicated his willingness to visit Bucharest preferably during the first week in December when we hope he will have a meeting with President Ceausescu. There has been a good deal of political activity by our competitors in support of their bids; President Giscard has been particularly active on behalf of the French bid.

Previous Ministers in this Department have supported NEI but we now feel that in the final stages of the negotiations it would be helpful if the Prime Minister were to throw her weight also on the British side. We suggest that this should take the form of a letter from her to President Ceausescu. I enclose a draft. We propose that the letter should not be dated, so that the Ambassador can deliver it at what he considers the most opportune moment, dating it accordingly. The draft letter has been seen and agreed by the FCO. You will notice that it contains a hint that the award of

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From the Secretary of State

this contract to NEI would encourage more high level exchanges but without committing us in any way about in which direction or by whom the next visit might be made.

.... I also attach a background note on the history of the negotiations and the present state of play.

Yours Sincerely,

Hugh Bartlett

H W BARTLETT
Private Secretary



DRAFT LETTER

Candor Room : Type for signature pre.

Amul

HE Mr Nicolae Ceausescu
President of the Socialist
Republic of Romania

/no date to be inserted/

ccHEMr Ion Avram,

Minister for the Machine
Building Industry of the
Socialist Republic of
Romania

Ever since my visit to Romania in 1975, I have been following with great interest the rapid development of Romanian industry and the consequent increase in trade and co-operation between our countries. This development in trade has, I know, been greatly stimulated by the visit which your Excellency and Madame Ceausescu paid to this country in June 1978. I was particularly pleased at the successful conclusion of the agreements covering the construction of the BAC 1-11 aircraft in Romania, I am therefore prompted to write to you now about another project of collaboration between our countries which could be almost as important as the BAC 1-11 project to commercial relations between us.

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in the whole field of power generation as part of the far-reaching and long-term programme of international co-operation which it has proposed.

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NORTHERN ENGINEERING INDUSTRIES LTD

Northern Engineering Industries are negotiating for the supply of a 680 MW turbine generator to work with a "CANDU" nuclear reactor, which is to be built in Romania using Canadian technology, and for licensing the manufacture in Romania of turbine generators. The initial value of the contract was £35m, but the Romanians have now asked that the tender include ancillary plant and technology such as switch-gear and transformers. This could increase the value of the contract by as much as £100m, and estimates of future possible business of the same type amount to over £250m over the next ten years as Romanian plans for nuclear energy require ten stations, each with 2x680 mw sets to be built by the mid-1990s.

2 If follow-up orders are placed, the business will be as large, if not larger than the BAC 1-11 contract which was recently won in Romania, and which was valued at some £200m.

3 The company have had the fullest support from HMG at all levels in their negotiations for this business. The Chairman of Northern Engineering, Sir James Woodeson, was among the senior industrialists who accompanied Mr Edmund Dell when as Secretary of State he visited Romania in March 1978 in preparation for the State Visit of President Ceausescu in June 1978. During his March visit Sir James expressed great interest in supplying turbo-generators and turbo-generator technology to Romania and it is understood that on the personal intervention of the President a decision on the award for the supply of this equipment was deliberately delayed in order to enable the company to make a bid.

4 The company quickly showed their imaginative and constructive approach to East European business by proposing to the Romanians, shortly after their Chairman's visit, a framework agreement for co-operation. This was signed during President Ceausescu's visit to the UK when Sir James attended a meeting at Buckingham Palace with the President as one of a group of senior industrialists led by Mr Dell.

5 Since then, at the request of the company, Mr Dell (as Secretary of State) wrote on 17 October 1978 to Mr Oprea, Deputy Prime Minister, copying his letter to Mr Avram, Minister for Machine Building, in support of the company's bid.



His letter emphasised NEI's past relations with Romania, their expertise in working with CANDU reactors and the contribution which the award of this contract to NEI would make to the UK's desired expansion of trade with Romania. On taking up his appointment as Secretary of State, Mr John Smith, endorsed these recommendations in his letter to Mr Oprea of 4 December 1978. Our new Ambassador to Romania, Mr Holmer, when presenting his credentials to President Ceausescu recently, re-emphasised the close attention that HMG was paying to the negotiations.

6 There is a world wide shortage of this type of business and the company therefore consider that winning this initial order is of major importance as they would then be well placed to secure the follow-up business.

PRESENT POSITION

8 Negotiations have now reached an advanced stage. The competition comes from Alsthom of France, Brown Boveri of Switzerland and GEC (USA). Alsthom have the advantage of having licensed Romania since 1968 for manufacture of 330 MW turbine generators so that the existing turbine building plant in Romania is based on Alsthom technology and the staff are Alsthom trained. Brown Boveri are believed to have the advantage on price and Swiss commercial credit is at a lower rate of interest, albeit in a harder currency, than ECGD can match. Neither Alsthom nor Brown Boveri have, however, previously supplied turbine generators to work with CANDU reactors while NEI have been virtually the sole supplier for this purpose. GEC (USA) have come into the bidding at a very late stage. (Indeed news of their involvement was not heard of until March 1979). It would appear that the Romanians have asked GEC (USA) to bid because of this company's claim to be the world leaders in 1500rpm machines and they may have convinced the Romanians of the proven safety and reliability of this type of generator. (NEI's original offer was for machines operating at 3000 rpm). NEI have however stressed to the Romanians that they can offer exactly the same, but a 1500 rpm machine would be more expensive. With the possible exception of Canada which is in a position to supply only part of the equipment, other credit insurers have agreed with ECGD to hold the line at 10 years for the period of credit.

9 We now understand that the Romanians intend to move to a decision on the award of the contract in the near future. NEI appear to be well placed



technically and have met all the basic requirements commercially. We are not aware of how they stand on price, but from comments made to our Embassy staff the Romanians, it would appear that they stand a fair chance of winning the contract.

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Department of Trade

November 1979

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