

UK delays nuclear plant deal signed with France and China

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Conservative Prime Minister Theresa May's decision to delay signing a deal to build the first new UK nuclear plant in 20 years has angered both China and France.

Under plans first outlined under the Labour government of Tony Blair more than a decade ago, the nuclear plant (Hinkley Point C) was to be built at a location in Somerset. It is designed to meet 7 percent of the UK's electricity needs, with a capacity of 3.8 gigawatts.

Only months ago May's predecessor, David Cameron, announced plans to begin construction in mid-2019, with the plant completed by 2025.

The decision to build the plant has been mired in controversy from its conception. The French firm EDF, 85 percent state-owned, was scheduled to finance most of the £18 billion cost. But under a provisional agreement signed by the Cameron government, one third was to be provided by nuclear companies closely tied to the Chinese state.

Late last Thursday evening, Tory business and energy secretary Greg Clark announced that the project was to be reviewed, with a final decision delayed to the autumn. This was just hours after EDF's board had voted, by a narrow margin, to approve the project. Both parties had been set to sign formal legally binding contracts the following morning.

May's move was made primarily at the behest of those sections of the ruling elite, including in the military and intelligence complex, who fear China's projected role in the construction and running of a highly state sensitive facility.

As the culmination of a pro-Beijing orientation, the Cameron government laid out the red carpet to Chinese President Xi Jinping during his state visit to Britain last October. China involvement in Hinkley Point, as the first step to building its own nuclear power station in Bradwell, Essex, was feted alongside tens of billions of pounds agreed in trade and investment.

The deals followed the decision by the Tory government for Britain to become the first Western power to sign up to China's Asia Infrastructure Investment Bank (AIIB) in March 2015. This antagonised Washington, as it sharply cut across the US "pivot to Asia," which aims at undermining Beijing diplomatically, economically and militarily. As a result, Cameron's strategic orientation caused deep consternation in ruling circles, with the queen pointedly stating her displeasure at "very rude" members of a Chinese trade delegation.

May is reported to have long held a "suspicious approach" to China. As Home Secretary, she developed intimate links to the intelligence services and figures in the military. Some of these voiced trenchant complaints about Chinese investment in UK nuclear plants on the basis of their implications for security and Britain's relationships with the US.

Vince Cable, the Liberal Democrat former business secretary in the 2010-2015 Conservative/Lib Dem coalition, revealed to the *Sunday Telegraph* that May had a "general prejudice" against Chinese investments in Britain and was against relaxing visa requirements for visiting businessmen. On this issue, she was overruled by Cameron's Chancellor George Osborne, he said. Referring to the major Chinese telecommunications firm, Cable said May was "never completely satisfied about Huawei," which has a major partnership with the largest private telecommunications firm in the UK, BT.

May "expressed in several different contexts severe reservations about China getting too close to the UK," said Cable. "So I think she has form in adopting a more suspicious approach, more in line with the American position. ... Fairly early on in the coalition, she wanted to introduce a more stringent test of foreign investment, based on the American model of screening out projects that threaten national security."

Regarding the Hinkley Point project, Cable said, "My

recollection was that when approval was sought for Hinkley, she raised objections on grounds of national security issues and China.”

Nick Timothy, May’s joint chief of staff, was strident in opposing Chinese investment at Hinkley. In an article headlined, “The Government is selling our national security to China,” he said it could allow the Chinese “to use their role to build weaknesses into computer systems which will allow them to shut down Britain’s energy production at will.”

Timothy warned, “For those who believe that such an eventuality is unlikely, the Chinese National Nuclear Corporation—one of the state-owned companies involved in the plans for the British nuclear plants—says on its web site that it is responsible not just for ‘increasing the value of state assets and developing the society’ but the ‘building of national defence.’”

Timothy cited the assessment of the domestic intelligence agency MI5 that “the intelligence services of ... China ... continue to work against UK interests at home and abroad.”

China responded angrily to May’s decision stating Monday, “What China cannot understand is the ‘suspicious approach’ that comes from nowhere to Chinese investment in making the postponement.” It “cannot tolerate any unwanted accusation against its sincere and benign willingness for win-win cooperation,” read a statement from Xinhua, China’s state-run news agency.

Calling the deal into question is also a serious blow to France, which was able to strike a hugely profitable deal to generate electricity at Hinkley for its projected 35-year lifespan. The *Financial Times* commented, “Delays to the project will be a complicating factor at a time when Anglo-French relations are already under strain. For Paris it is imperative to prove that new technology to be built at Hinkley by EDF is viable after endless problems with reactors under construction in Finland and France. Export orders are also vital for the French nuclear industry at a time when Japan and Germany have both ended their nuclear programmes.”

May’s readiness to antagonise France is in line with her pledge to be tough in seeking the best conditions for the UK following June’s referendum vote for Britain to leave the EU. Writing in the *Financial Times*, columnist and energy policy blogger Nick Butler wrote, “In the post-Brexit world competitiveness is critical.” The “obvious risks [over Hinkley] were such that the only prudent response is to pause and to reconsider all the options,” he

continued.

Enthusiasing that May has “appreciated that approval of the project is now a UK bargaining chip in Britain’s relationship with the French,” he noted, “Cancelling the Hinkley project would destroy the thousands of jobs promised along the supply chain—most of which is located in France. The pressure is now on President François Hollande, who faces a very difficult re-election campaign next year, to force EDF to come up with a much better offer.”

Hinkley Point highlights divisions within ruling circles over the indifference of Labour and Tory governments towards the preservation of national infrastructure and industry. By 2012, half of the UK’s assets had been sold to foreign owners by successive Labour and Conservative governments. By 2016 foreign investors owned £1 trillion worth of British companies. A significant element of business support for a Leave vote, as reflected in the “Brexiters” in the Tory party, was based on concern that the economy was in danger of losing its ability to compete through an over-reliance on foreign investment.

Last week it was announced that Britain’s leading microchip designer, ARM Holdings, was being sold to Japanese firm SoftBank for £24 billion. In response, retail businessman John Mills, who chaired the Labour Leave campaign, wrote in the *Guardian*, “It should be stopped, and the whole trend of selling off British industrial assets should be stopped too.”

Mills complained that “profits made on foreign-owned companies are most likely to be paid in taxes to foreign governments.” Mills concluded, “By having a policy of selling our assets to foreign owners as the first option, we are storing up incalculable problems, which will inevitably lead to severe economic difficulties.”



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