

UK: Hinkley Point nuclear plant delay provokes angry response from 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 major implications for geo-political relations internationally.

Under a proposed deal, which May delayed at less than 24 hours' notice, French state owned-firm EDF was to build the £18 billion plant at Hinkley Point in England, with one-third of the cost to be provided by nuclear companies closely tied to the Chinese state.

The delay angered France and China, who both view their involvement in the Hinkley Point project as strategically important. Tens of thousands of jobs are at stake if the deal is scrapped.

On Monday, China responded with a prominent article by its ambassador to the UK, Liu Xiaoming in the opinion pages of the *Financial Times*. Under the headline, "Hinkley Point is a test of mutual trust between UK and China", Xiaoming warns, "Right now, the China-UK relationship is at a crucial historical juncture... I hope the UK will keep its door open to China and that the British government will continue to support Hinkley Point—and come to a decision as soon as possible so that the project can proceed smoothly."

May's decision cuts across the policy adopted by her predecessor David Cameron and his Chancellor George Osborne, who made economic ties with China, centring on Chinese investment in the UK, a central axis of economic policy.

Xiaoming revealed the extent of this investment to stress what is at stake in Hinkley Point. "Britain takes pride in being a country that is open to foreign investors... It is exactly because of such openness that China has become the UK's second-largest non-European trading partner. Britain is one of the key destinations for Chinese companies seeking to invest overseas. *Over the past five years, such companies have invested more in the UK than in Germany, France and Italy combined.*" [Emphasis

added]

The *Financial Times* endorsed Xiaoming's intervention, editorialising that "May should seize opportunities ahead of and during the G20 summit in China in September to reassure Chinese counterparts that the UK's new government values ties to China and Chinese business. After all the UK's pending exit from the EU makes a thriving commercial relationship with China indispensable."

The export of nuclear technology is central to China's global ambitions. Xiaoming stated that the China General Nuclear Power Corporation "is the biggest nuclear power provider in China" and "the world's biggest builder of nuclear reactors, involved in the construction of one-fifth of the nuclear generators worldwide."

China sees its role in the Hinkley project as a stepping stone, as laid out during last October's state visit by Chinese President Xi Jinping to Britain, to constructing its own nuclear power station in the UK. The *Financial Times* noted, "The real goal for Beijing in Britain is not so much Hinkley Point itself, but the opportunity to build and finance another nuclear power station of its own design at another of EDF's sites in Bradwell, Essex."

It cited an unnamed government minister who said, "This is all about Bradwell. I'm sure Theresa [May] would be happy to take £6bn off the Chinese for Hinkley but it's not clear whether she is happy about the next stage."

China views nuclear power plant construction in Britain as central to its Silk Road Economic Belt or One Belt One Road (OBOR) strategy. By offering substantial investment in infrastructure and trade and economic benefits, Beijing is hoping to draw countries across Eurasia, the Middle East and Africa into its plans and thereby bypass US efforts to isolate China diplomatically, economically and militarily through its "pivot to Asia."

The Hinkley deal was provisionally agreed during Xi

Jinping's visit. It followed Cameron's decision for Britain to become the first Western power to sign up to China's Asia Infrastructure Investment Bank (AIIB) in March 2015. These moves antagonised Washington. May's intervention was widely seen as her response to opposition from the US and leading figures in the intelligence services and military to deepening UK commercial ties with China.

In response to Xiaoming's *FT* article, a UK government representative issued a statement Tuesday in an attempt to dampen growing tensions. "[T]his decision is about a huge infrastructure project and it's right that the new government carefully considers it. We cooperate with China on a broad range of areas from the global economy to international issues and we will continue to seek a strong relationship with China," it read.

The Cameron government's turn to China was accompanied by claims that investment from Beijing was critical to the economic growth and stability of the UK economy. Its "Northern Powerhouse" project of linking up England's deindustrialised northern cities to facilitate the exploitation of a 15-million strong population by international corporations was centred on Chinese investment. Prior to Xi Jinping's visit, the then Chancellor George Osborne spoke in Chengdu, China and urged firms to bid for seven contracts worth £11.8 billion, covering the first phase of the proposed HS2 high speed train service between London and Birmingham. He invited bids for £24 billion of further investment in northern England.

May has signalled that Osborne's project will be shelved, in favour of a strategy to boost productivity nationwide.

The Hinkley project is expected to be hugely profitable for France in the long-term, with revenue and price guarantees for its projected 35-year lifespan. The *Guardian's* Simon Jenkins complained, "Hinkley Point is bad business." Cameron had effectively "stuffed" the pockets of its Chinese and French builders "with gold", he said, "in the worst deal in the history of procurement." May should "put it out of its misery."

But the EDF board only agreed the deal just the day before May announced the delay. Only a small majority of the board of EDF, which is already in debt to the tune of tens of billions of Euros, voted in favour of the deal, in face of strenuous opposition from a number of EDF shareholders, allied with trade unions. This week it was revealed that the overall cost of financing the project could be as much as £2.7 billion more than the already

planned £18 billion, which could push up EDF's share of the cost from £12 billion to £13.8 billion.

On Monday, the ruling Socialist Party of President Francois Hollande issued a statement warning that doubt over Hinkley was a grave danger to EDF and the French economy. It stated, "The Socialist Party believes that a project that is so important that it could jeopardize the solidity and survival of the national energy company requires that all doubts and hesitations be cleared up before the project continues."

May's decision is part of the continuing economic and political fallout from June's Brexit vote. On taking office, following Cameron's resignation, she stated she would be tough in demanding the optimum economic conditions for the UK following Brexit. The first fruit of this policy is essentially a demand that, as the *Financial Times* put it, EDF comes up "with a much better offer."

The Labour Party responded by denouncing May, with Shadow Business Secretary Jon Trickett stating, "During the referendum, one of the few firm proposals coming from the Brexit camp was that Britain's economic prosperity outside of Europe could be secured by furthering our relations with China and other large, fast-growing economies in the east." The "prime minister has put that—and £40bn of inward investment—in jeopardy by bungling negotiations over Hinkley Point."

Peter Mandelson, a key ally of former Labour Prime Minister Tony Blair, who is playing a leading role in the attempts to remove Jeremy Corbyn as party leader, insisted Wednesday that May allow Hinkley Point to proceed. Mandelson, who holds the presidency of the Great Britain China Centre lobby group, told the BBC that in the aftermath of Brexit, "We can't be too fussy about who we do trade with... despite the size of our market we are probably less relevant to China out of the European Union because we would be unable to influence that huge bloc's future trade policies anymore and out of the EU we are probably more dependent on China's goodwill because we will need to replace trade lost in Europe."



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