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INFO PRIORITY EUROPEAN COMMUNITY POSTS, LISBON, MADRID
INFO ROUTINE UKMIS NEW YORK, WASHINGTON, UKMIS GENEVA, TOKYO,
INFO ROUTINE KUALA LUMPUR, BANGKOK, JAKARTA, CANBERRA, OTTAWA,
INFO ROUTINE STOCKHOLM, OSLO, HELSINKI, BERNE, LAGOS, KINSHASA,
INFO ROUTINE NEW DELHI, BRASILIA, LA PAZ

FRAME EXTERNAL

FOREIGN AFFAIRS COUNCIL: 17 DECEMBER 1985
TIN

SUMMARY

1. IN THE FACE OF STRONG GERMAN AND FRENCH OPPOSITION, THE COMMISSION FAILED TO OBTAIN A MANDATE TO RESPOND TO INITIATIVES FROM OTHERS IN THE TIN COUNCIL'S NEGOTIATIONS WITH ITS CREDITORS. THE COMMISSION MAY ONLY SIT AND OBSERVE. THE PRESIDENCY AND THE COMMISSION AGREED THAT IF THE TIN COUNCIL TOOK A VOTE ON NEGOTIATING, MEMBER STATES WOULD VOTE INDEPENDENTLY, NOT ACCORDING TO A CO-ORDINATED COMMUNITY LINE. VAN RHIJN HAS TOLD US THAT THE COMMISSION REGARDS ITS 'NON-MANDATE' TO BE AT AN END.

DETAIL

2. AT LUNCH, ATTENDED BY MINISTERS ONLY, NARJES (COMMISSION) MADE SEVERAL PROPOSALS, ALL OF WHICH WERE REJECTED. HE SAID THAT THE COMMUNITY SHOULD BE READY TO RESPOND TO ANY INITIATIVE THAT MIGHT BE MADE BY OTHERS. HE OUTLINED AN EIGHT POINT PACKAGE THAT COULD BE ACCEPTABLE TO ALL:

- (1) THE BANKS TO BEAR SOME SHARE OF THE LOSS:
- (2) THE BROKERS TO CONTRIBUTE, SAY, PDS 50 MILLION:
- (3) CONTROLS ON EXPORTS BY PRODUCER COUNTRIES:
- (4) A LIQUIDATION PERIOD OF ABOUT 2 YEARS:
- (5) TALKS WITH THOSE PRODUCERS OUTSIDE THE INTERNATIONAL TIN AGREEMENT TO PERSUADE THEM TO ACCEPT DISCIPLINE ON PRICE AND QUANTITY:
- (6) TALKS WITH THE USA TO PERSUADE THEM TO POSTPONE TIN SALES FOR TWO YEARS (NARJES SAID THAT FROM INFORMAL CONTACTS HE THOUGHT THE AMERICANS WOULD AGREE)
- (7) THE PROBABLE SHORTFALL IN THE NEXT SIX MONTHS WOULD BE PDS 350 MILLION:
- (8) THIS SHORTFALL WOULD BE COVERED AS FOLLOWS:-
 - (A) THE BANK OF ENGLAND TO PROVIDE AN INTEREST FREE BRIDGING LOAN (NARJES SAID HE HAD BEEN TOLD THAT THIS MIGHT BE POSSIBLE).
 - (B) PDS 50 MILLION TO BE PUT UP BY THE BROKERS
 - (C) PDS 130 MILLION WAS LIKELY TO BE FOUND FROM THE EXISTING TIN STOCKS.
 - (D) THE REMAINING PDS 150 MILLION TO BE SHARED BETWEEN PRODUCERS AND CONSUMERS PRO RATA IN ACCORDANCE WITH THEIR CONTRIBUTIONS TO THE ITC. THE EC SHARE WOULD BE PDS 27 MILION (IE 25 PER CENT). EACH MEMBER STATE WOULD BEAR ITS PROPORTION.

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3. GENSCHER (GERMANY) AND DUMAS (FRANCE) COULD NOT AGREE: THEY REPEATED THEIR VIEWS ON LEGAL LIABILITY AND SAID THAT THEY WERE NOT PREPARED TO ALLOW THE COMMISSION TO TAKE ANY ACTIVE ROLE. MR CHANNON (UNITED KINGDOM) SUPPORTED THE COMMISSION, BUT NO-ONE ELSE DID. THE ONLY OTHER COMMENT WAS FROM PANGALOS (GREECE) WHO, WHILE NOT KEEN, WOULD GO ALONG WITH A PROPOSAL IF ALL OTHERS DID.

4. POOS SAID THAT ON THE BASIS OF INFORMAL CONTACTS HE NOTED THAT THREE MEMBER STATES WERE AGAINST ANY COMMISSION INITIATIVE, TWO WERE OPEN TO INFORMAL CONTACTS, AND FIVE WERE MORE FAVOURABLE TO SOME KIND OF COMMUNITY ACTION TO PROMOTE BURDEN-SHARING.

5. MR CHANNON ASKED WHAT WOULD HAPPEN IF THERE WAS A VOTE IN THE TIN COUNCIL ON THE NEGOTIATION TOMORROW. POOS, WITH NARJES' AGREEMENT, SAID THAT VOTING WOULD BE A NATIONAL MATTER FOR THE MEMBER STATES, NOT FOR A CO-ORDINATED COMMUNITY POSITION. IF THE UK WANTED TO PURSUE BILATERAL CONTACTS, THEY COULD OF COURSE DO SO.

6. WE COMPARED NOTES WITH VAN RHIJN (DGIII) ON THE LUNCH TIME DISCUSSION, AND SPOKE TO HIM SUBSEQUENTLY, AFTER HE HAD SPOKEN TO NARJES. VAN RHIJN SAID THAT NARJES HAD REPORTED THAT THE FRENCH, GERMANS AND DUTCH DID NOT WANT TO PREJUDICE THEIR LEGAL POSITION, OR TO SPEND ANY MONEY AT ALL. BUT IF WORTHWHILE PROPOSALS WERE PUT FORWARD BY OTHERS (EG. BANKERS, BROKERS OR THE UK GOVERNMENT), THEN THEY WOULD BE PREPARED TO LOOK AT THEM. THE UK HAD BEEN TOLD THAT IF IT WANTED TO NEGOTIATE WITH OTHER PARTIES, IT COULD DO SO. IN THESE CIRCUMSTANCES THE COMMISSION'S 'NON-MANDATE' WAS RECKONED TO BE AT AN END, AND THEY WOULD ADOPT A PASSIVE STANCE. VAN RHIJN HIMSELF WOULD NOT GO TO TOMORROW'S ITC MEETING. THE COMMISSION WOULD BE REPRESENTED BY NICOLAI, WHO WOULD TAKE THE LINE THAT ALTHOUGH THE COMMISSION HAD HAD NO MANDATE, THEY HAD TAKEN SOUNDINGS WITH A VIEW TO A PRAGMATIC SOLUTION WITHOUT PREJUDICE TO THE LEGAL POSITION. AS OTHER PARTIES HAD NOT RESPONDED, THE COMMISSION HAD NO FURTHER ROLE TO PLAY. MOREOVER, THE COMMISSION WERE SCEPTICAL ABOUT THE WILLINGNESS OF PRODUCER COUNTRIES TO BE HELPFUL: WE HAD LEARNT THAT TIN SHIPMENTS WERE EN ROUTE TO EUROPE FROM ASIA.

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7. WE SAID THAT WE WOULD OF COURSE GREATLY REGRET IT IF THE COMMISSION REGARDED THEIR MANDATE AS OVER. VAN RHIJN CONFIRMED THAT IT WAS. HE COMMENTED THAT IT WAS PERHAPS A PITY THAT THE UK HAD TAKEN SO CLEAR A VIEW OF THE LEGAL POSITION RATHER THAN TRYING TO PLAY A MEDIATING ROLE. HE ALSO REGRETTED OUR NEGATIVE APPROACH ON THE QUESTION OF A BANK OF ENGLAND LOAN.

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FCO ADVANCE TO:-

FCO - PS, BRAITHWAITE, MAUD, TAIT, MS REID, SHEPHERD

CAB - JAY

DTI - PS/MR BRITTAN, PS/MR CHANNON, MOUNTFIELD, MURRAY, LUNN,
DENISON-CROSS

TSY - MISS BARBER, REDLEY

(ADVANCED AS REQUESTED)

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