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COMMERCIAL IN CONFIDENCE
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

INTERNATIONAL TIN AGREEMENT

- with DRN?

I have seen the minute of 28 October from the Secretary of State for Trade and Industry. I strongly support his general line and the immediate action he proposes in para 17. But in the longer term, I believe it would be a great mistake - especially in present circumstances - to mount another rescue. The efficient working of markets requires that operators must take risks. It is important to demonstrate that this means accepting losses as well as receiving profits.

So like him I prefer his option (b), and completely reject option (a). As to option (c), I believe we should play no part in promoting it, and unless this week's Tin Council meetings produce something entirely unexpected, I would advocate leaving the Agreement rather than reinforcing it.

I am sending copies of this minute to the Foreign Secretary, the Secretary of State for Trade and Industry, the Minister of Agriculture, Fisheries and Food, and the Governor of the Bank of England.

NL.

N.L.

28 October 1985

Trade Jan '85

Movements in Volume of Trade by Commodity

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File KW
LO3ANIL

10 DOWNING STREET

From the Private Secretary

29 October 1985

INTERNATIONAL TIN AGREEMENT

The Prime Minister has seen your Secretary of State's minute of 28 October and the Chancellor's of the same date. I also received a message from the Bank of England to say - in summary - that while the exposure of the London Metal Exchange was larger than they had earlier thought and that they could not now say that ~~the~~ collapse would be unlikely if the ITC failed to meet the Buffer Stock Manager's obligations, they were in general agreement with the line proposed by your Secretary of State.

As you know, the Prime Minister also agreed with your Secretary of State's recommendations. She did, however, comment that she is concerned about the proposition that as a member of the Tin Council the Government would be partly responsible for the Council's default, if that is the way the decision eventually goes.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), Rachel Lomax (H.M. Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and to John Bartlett (Bank of England).

DAVID NORGROVE

Michael Gilbertson, Esq.,
Department of Trade and Industry.

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