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FCS/85/278

SECRETARY OF STATE FOR TRADE AND INDUSTRY

International Tin Agreement

1. As my Private Secretary told yours on the telephone this morning, I do not believe that we yet have enough information to make a firm choice between the options in paragraph 10 of your minute of 28 October.

2. It is clear that there will be substantial costs whether the Agreement collapses or is allowed to continue in a modified form. You indicate that the potential cost to the exchequer following a collapse of the Agreement would be some £12-16 million. But as you say there would also be serious implications for the Cornish tin industry, for the London Metal Exchange and possibly for our relations with the producing states. There would also of course be costs involved in keeping a modified Agreement going.

3. I am concerned however at the degree of uncertainty over the legal issues involved, and therefore the extent of the financial consequences of the various options.

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For example, I understand that FCO lawyers do not in fact hold the view attributed to them in paragraph 5 of your minute that members of the International Tin Council "would probably not be liable" in the case of a collapse of the Agreement.

4. Given these uncertainties, I believe that our representatives at the emergency meeting of the Council today should be instructed to play for time. They should avoid finding themselves in the position of being alone in holding out against a package of measures which might enable a modified Agreement to continue in being. I agree with you that if others put forward a rescue package our representatives should undertake - without any commitment - to consider it. We should then use the extra time to ensure that we have a full and agreed assessment of the consequences of each of the options and therefore a sound basis for decisions. It may be right for the Law Officers to be consulted on the question of HMG's potential liability under the Agreement.

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5. I am copying this minute to the Prime Minister, Nigel Lawson, Michael Jopling, the Governor of the Bank of England and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
29 October 1985