PRIME MINISTER 29 October 1985

INTERNATIONAL TIN AGREEMENT

You have supported Leon Brittan's line on this, but the FCS has not. If a further opportunity arises, you should reaffirm your support.

The main point of the Agreement was to establish a buffer stock which enables its manager to stabilise the tin market. A successful Buffer Stock Manager would make, not lose money, since he would be buying during a glut, and releasing stocks during a shortage. The fact that the Buffer Stock Manager is now bankrupt indicates either, that he is an incompetent operator, or that he is more concerned to sustain the tin price at an artificial level, rather than to stabilise it. Stabilisation is best left to the market. That is why Leon Brittan's preferred option is the best.

The FCS points to legal uncertainties and liabilities. Whatever these are, they are dwarfed by the benefits (£40 million a year) which British manufacturers would derive by being able to buy tin at a market price (recently at around £4,000-5,000 per tonne), rather than the ITA price (around £8,500 per tonne).

These liabilities can only increase if a fundamentally unsound scheme is perpetuated, in whatever form. The LME's position should not sway our decision. The JMB case illustrates the dangers of rescue operations.

Nicholas Owen

NICHOLAS OWEN