

CONFIDENTIAL

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OCMIAN 2638
CONFIDENTIAL
DD 020130Z BANGK
DD 020830Z LAGOS
DD 020830Z KINSH
DD 020030Z TOKYO
DD 020400Z NEDEL
DD 020830Z ROMEE
FM FCOLN TO KULUM
011200Z NOV
GRS 757

CONFIDENTIAL
FM FCO
TO DESKBY 020130Z KUALA LUMPUR
TELNO 470
OF 011200Z NOVEMBER 85
AND TO DESKBY 012230Z CANBERRA
AND TO DESKBY 020030Z TOKYO
AND TO DESKBY 020130Z JAKARTA, BANGKOK
AND TO DESKBY 020400Z NEW DELHI
AND TO DESKBY 020730Z HELSINKI
AND TO DESKBY 020830Z LAGOS, KINSHASA, STOCKHOLM, OSLO, EEC POSTS
AND TO DESKBY 020930Z BERNE
AND TO DESKBY 021430Z OTTAWA
INFO PRIORITY BRASILIA, LA PAZ, UKMIS GENEVA, UKMIS NEW YORK,
INFO PRIORITY WASHINGTON

MY TELNO 297 TO JAKARTA (NOT TO ALL): INTERNATIONAL TIN AGREEMENT
1. MIFT CONTAINS TEXT OF STATEMENT BY SECRETARY OF STATE FOR
TRADE AND INDUSTRY MADE AT 1345Z ON 1 NOVEMBER.
2. MINISTERS HAVE DECIDED THAT THE UK SHOULD ATTEMPT TO PERSUADE
OTHER INTERNATIONAL TIN AGREEMENT MEMBERS THAT THE INTERNATIONAL
TIN COUNCIL (ITC) SHOULD AGREE ORDERLY MEASURES FOR THE
SETTLEMENT OF THE COUNCIL'S OUTSTANDING OBLIGATIONS. THIS WAS
ONE OF THE OPTIONS OUTLINED BY THE TIN COUNCIL CHAIRMAN ON 30

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OCTOBER. HMG INTENDS TO MEET ITS SHARE OF THE OBLIGATIONS ON THE BASIS THAT THE OTHER MEMBERS INTEND TO DO THE SAME.

3. WE SHOULD PREFER TO RESTRICT ACTION BY THE ITC TO A DECISION TO TERMINATE THE AGREEMENT ON THIS BASIS. WE WOULD HOWEVER BE READY IF NECESSARY TO CONSIDER MEASURES TO CONTROL THE DISPOSAL OF EXISTING STOCKS IN ORDER TO AVOID UNDUE DISRUPTION OF THE MARKET.

4. PLEASE SPEAK AT HIGHEST APPROPRIATE LEVEL TO YOUR HOST GOVERNMENT, DRAWING ON THE ABOVE AND MIFT. YOU SHOULD EMPHASISE THAT IT IS IN THE INTERESTS OF PRODUCERS AND CONSUMERS TO REACH A VERY EARLY DECISION, IN ORDER TO PERMIT MARKETS TO OPEN AND REDUCE THE UNCERTAINTY CREATED BY THE SUSPENSION OF TRADING. YOU SHOULD EXPRESS SYMPATHY FOR THE IMPACT OF REDUCED TIN PRICES ON THE ECONOMIES OF THE PRODUCER COUNTRIES. YOU SHOULD SAY THAT AS MORE DETAILS HAVE BECOME AVAILABLE, WE HAVE CONCLUDED THAT THERE IS NO FEASIBLE WAY OF 'RESCUING' THE AGREEMENT. THE PRESENT LEVEL OF WORLD PRODUCTION AND STOCKS MAKE ANY PRICE RANGE SIGNIFICANTLY ABOVE MARKET LEVELS UNSUSTAINABLE. WE BELIEVE PRODUCER MEMBERS APPRECIATE THE PROBLEMS INVOLVED.

5. YOU SHOULD SEEK SUPPORT NOT ONLY FOR THE ACTION OUTLINED ABOVE BUT ALSO FOR THE EARLIEST POSSIBLE RESUMPTION OF THE TIN COUNCIL'S SUSPENDED EMERGENCY SESSION. HMG HOPES THE COUNCIL CAN MEET NOT LATER THAN 6 NOVEMBER AND HAS ASKED THE EXECUTIVE CHAIRMAN OF THE TIN COUNCIL TO MAKE THE NECESSARY ARRANGEMENTS.
DEFENSIVE

6. IF ASKED ABOUT HMG'S PERCEPTION OF THE LEGAL POSITION, YOU SHOULD SAY THAT WE ARE STILL URGENTLY EXAMINING THIS ASPECT, THAT PRELIMINARY ADVICE SUGGESTS THAT TIN COUNCIL MEMBERS ARE LIABLE FOR THE COUNCIL'S DEBTS, AND THAT SOVEREIGN IMMUNITY DOES NOT APPLY. YOU SHOULD REFUSE TO COMMENT IF QUESTIONED ABOUT THE IMPLICATIONS OF 'JOINT AND SEVERAL' LIABILITY OF THE MEMBERS.

7. IF ASKED IF HMG MIGHT NOTWITHSTANDING THE DECISION IN PARAGRAPH 2 BE WILLING TO CONTRIBUTE TO A 'RESCUE' PACKAGE INVOLVING A REDUCED PRICE RANGE AND OTHER REFORMS, YOU SHOULD SAY THAT EVEN IF AGREEMENT COULD BE REACHED ON SUCH A PROPOSAL IT WOULD BE UNLIKELY TO DO MORE THAN PUT OFF THE CRISIS, AT GREAT EXPENSE

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TO CONSUMERS AND PRODUCERS, BECAUSE OF THE INHERENT DIFFICULTIES MENTIONED IN PARAGRAPH 4 ABOVE.

BACKGROUND (STRICTLY FOR YOUR OWN INFORMATION)

8. IT IS OF GREAT IMPORTANCE TO THE CITY TO ENABLE TIN TRADING TO RESUME ON THE LME AT THE EARLIEST POSSIBLE DATE. THERE ARE HOWEVER CONSIDERABLE RISKS IN REOPENING THE TIN MARKET AT A TIME WHEN THE TIN COUNCIL WILL BE BOUND TO DEFAULT ON CONTRACTS. WE HOPE THE LME WILL DECIDE TO SUSPEND TRADING FOR A FURTHER PERIOD, BUT THEY CANNOT DO SO INDEFINITELY. THE TIN COUNCIL MUST THEREFORE MEET AND TAKE A SUBSTANTIVE DECISION AS SOON AS POSSIBLE.

9. REPORTS FROM ASEAN POSTS SUGGEST THAT PRODUCER MEMBER GOVERNMENTS ARE FULLY SEIZED OF THE PROBLEM AND ARE UNLIKELY TO SEEK TO INSIST ON A RESCUE PACKAGE. AT THE TIN COUNCIL ON 29-30 OCTOBER MALAYSIA PROPOSED A NEW MINIMUM PRICE OF POUNDS 7,000 TO BE SUPPORTED. THEY WERE LATER BELIEVED TO BE ABOUT TO PROPOSE POUNDS 6,000, BUT COULD NOT OBTAIN SUPPORT FROM OTHER PRODUCERS. IF REPORTS IN TODAY'S BRITISH PRESS ARE CORRECT, THE MALAYSIAN GOVERNMENT RECOGNISES THAT ALMOST ANY NEW MINIMUM PRICE WOULD BE LIKELY TO COST MORE TO SUPPORT THAN LETTING MARKET FORCES DETERMINE A NEW PRICE. WE WISH TO ENCOURAGE THIS VIEW.

10. FCO TELEGRAMS NUMBER 434 AND 459 TO KUALA LUMPUR AND 297 TO JAKARTA ARE BEING REPEATED IMMEDIATE TO THOSE ADDRESSEES WHO HAVE NOT PREVIOUSLY RECEIVED THEM AND MAY BE DRAWN ON AS APPROPRIATE FOR BACKGROUND.

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FRAME EXTERNAL

ERD

SEAD

SAMD

WAD

CAFD

LEGAL ADVISERS

FED

SAD

NAD

UND

SIR W HARDING

DR WILSON

DAVID THOMAS

PUSD

MR M LUNN MM DTI

MR J DENISON CROSS DTI

MR K HALL MM DTI

MR T VENESS ITP2 DTI

MR R TAYLOR ITP2 DTI

MR R THOMAS MAFF

MR D FRY MAFF

MR MOUNTFIELD HM TREASURY

MR M REDLEY HM TREASURY

MR B GUNN BANK OF ENGLAND

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OCMIAN 2637
UNCLASSIFIED
DD 020130Z KULUM
FM FCOLN TO KULUM
011335Z NOV
GRS 279

UNCLASSIFIED
FM FCO
TO DESKBY 020130Z KUALA LUMPUR
TELNO 471
OF 011335Z NOV 85
AND TO DESKBY 020130Z JAKARTA, 020130Z BANGKOK, 012230Z CANBERRA
AND TO DESKBY 020830Z LAGOS, 020830Z KINSHASA, 020030Z TOKYO
AND TO DESKBY 020830Z STOCKHOLM, 020830Z OSLO, 020730Z HELSINKI
AND TO DESKBY 020830Z EEC POSTS, 020930Z BERNE, 021430Z OTTAWA
AND TO DESKBY 020400Z NEW DELHI
INFO PRIORITY BRASILIA, LA PAZ, UKMIS GENEVA, UKMIS NEW YORK
INFO PRIORITY WASHINGTON

MIPT: INTERNATIONAL TIN AGREEMENT

1. FOLLOWING IS TEXT OF STATEMENT BY SECRETARY OF STATE FOR
TRADE AND INDUSTRY.
BEGINS. FOLLOWING RECENT DEVELOPMENTS IN THE INTERNATIONAL TIN
MARKET, THE UK GOVERNMENT AS A MEMBER OF THE INTERNATIONAL TIN
COUNCIL IS TAKING URGENT STEPS TO CONSULT WITH THE OTHER MEMBERS
OF THE COUNCIL WITH A VIEW TO THE COUNCIL'S AGREEING ORDERLY
MEASURES FOR THE SETTLEMENT OF THE COUNCIL'S EXISTING OBLIGATIONS.
THE UK GOVERNMENT URGES ALL ITS FELLOW MEMBERS TO TAKE PART IN
THESE CONSULTATIONS IN A CONSTRUCTIVE MANNER AND FOR THAT PURPOSE
TO RESUME ON 6 NOVEMBER THE COUNCIL SESSION ADJOURNED ON
30 OCTOBER 1985. THE OBJECTIVE SHOULD BE TO ENABLE ALL LEGAL
COMMITMENTS OUTSTANDING AT 24 OCTOBER 1985 TO BE MET, BUT THAT NO
NEW COMMITMENTS ARE UNDERTAKEN BY THE COUNCIL SAVE FOR THAT
PURPOSE. ENDS.

HOWE

FRAME EXTERNAL
ERD
SEAD
SAMD
WAD
CAFD
LEGAL ADVISERS
SIR W HARDING
DR WILSON
MR DAVID THOMAS
FED
SAD
NAD
UND
PUSD

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MR R THOMAS, MAFF
MR D FRY, MAFF
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