CONFIDENTIAL

MEETING TO DISCUSS INTERNATIONAL TIN AGREEMENT : 1 NOVEMBER 1985

PRESENT

Secretary of State for Trade & Industry
Secretary of State for Foreign & Commonwealth Affairs
Chancellor of the Exchequer
Solicitor General
Mr Channon
Lord Lucas
Governor of the Bank of England
Mr Mountfield, Treasury
Mr Farrow, Bank of England
Mr Mountfield, DTI
Mr Rickford, DTI
Mr Tait, FCO
Mr Mallinson, DTI
Mr Murray, DTI
Mr Saunders, LOD
Mr Gardiner, LOD
Mr Lunn, DTI
Mr Norgrove, No 10

SUMMARY

It was agreed that officials should be given the mandate to explore with other member countries options (b) and (c) set out in the paper circulated before the meeting by DTI officials. It was agreed that the Bank of England should explore the possibility of the banks undertaking to ensure the orderly disposal of stocks as outlined in option (b). It was further agreed that a statement should be issued in the name of the Secretary of State for Trade and Industry.

DISCUSSION

2 The Secretary of State for Trade & Industry said that the purpose of the meeting was threefold : to bring people up-to-date with the present position, to hear the opinion of the Solicitor General on the legal position, and to decide on further action.

3 The Governor explained that despite the call from Inco, nickel trading had not been suspended, and there had been no other significant developments in the market that morning.

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4 **The Foreign Secretary** explained that there had been little response from the tin producing countries. Malaysia had expressed alarm at the crisis, but had not offered to contribute its share of the Council's obligations.

5 **The Solicitor General** advised that the better view of the legal position was that the member Governments would be jointly and severally liable for all the debts of the Tin Council which could not be met out of its current resources. There were two opposing arguments to the effect that the liability for the deficit was restricted to the Tin Council as a corporation and not to its members but both stood a less than even chance of success. He advised that colleagues should proceed to consider the options on the basis of joint and several liability of the members. If sued for the deficit the UK would have a right of recourse to other members for their share of the liability but recourse could be lengthy, expensive and not necessarily successful in each case. (NB. the Solicitor General's advice will be recorded in detail in writing shortly).

6 **The Chancellor** said that the joint and several liability of member countries might extend to those liabilities of the BSM which were the result of ultra vires actions. He asked where this left the liabilities the BSM had incurred through intra vires actions. **Mr Murray** explained that it would be very difficult to separate out the two categories of liability.

7 **The Secretary of State for Trade & Industry** introduced the various options set out in the officials paper. He said that he had already ruled out the option of continuing with the Agreement on its present basis. He did not favour option (a) (rescuing the present agreement on the basis of a price of, say, £6,000 per tonne), and indeed member countries had not shown much enthusiasm for such an option. He regarded option (d) as potentially very risky and expensive, and did not favour it. His preferred options were (b) (involving stock management to avoid disruption of the market), and (c) (meeting our debts and doing nothing more). Under option (c), the tin price might fall to a lower level than under (b), and the costs to the UK should be lower. Option (b) might well be more attractive to producer countries, and might result in a slightly less difficult position for the Cornish tin industry in the short term than would be the case under option (c).

8 **The Foreign Secretary** said that the Government had stood by and allowed this crisis to develop, and there was now a need for quick action. He agreed that the choice lay essentially between option (b) and option (c). Option (b) might be cheaper than (c), but he thought that the difference in cost between the two may not be as large as

had been suggested in the paper. He considered that in the end it might come down to whichever of options (b) or (c) we were most likely to get other countries to agree to.

9 The Chancellor said that he understood that Clydes were to issue on 4 November a writ on behalf of Berisfords alleging joint and several liability of member countries and suing the UK Government on a several basis. Mr Murray said that the Chairman of Berisfords had telephoned Sir Brian Hayes to say that the writ was simply designed to encourage action by member countries. It was agreed that attempts should be made to persuade Berisfords to withdraw the writ.

10 The Secretary of State for Trade & Industry suggested that the Foreign Secretary might talk to the Malaysian Ambassador. The Foreign Secretary said that it might be better not to, since it would look as if we were assuming the status of the country which in the end might have to "carry the can". It was therefore agreed that the Malaysian Ambassador should not be visited, but that posts should be informed as soon as possible by telegram of the UK Government's position. (At this point the Foreign Secretary left the meeting).

11 The Governor considered that the difference between option (b) and option (c) was actually not that great. Both would require agreements with the banks. Following the meeting the Bank had held the previous day, he could report that the banks might well be prepared to help to dispose of stocks in an orderly manner, though they would probably require guarantees by the ITC. The Solicitor General had doubts about whether the ITC had the vires to give such a guarantee, since it might lead to them incurring liabilities outside the parameters of the ITA. Mr Farrow said that the banks would probably be looking beyond the ITC to the member countries for such a guarantee. The Chancellor warned that if guarantees were given to cover the whole potential liability, then the banks would lose some of the incentive to carry out the task effectively.

12 The Chancellor agreed that the preferred options should be (b) and (c). He had some reservations about the continuing obligation to dispose of stocks in an orderly manner, envisaged in option (b), but would be prepared to go along with this if it were handled by the banks. He was firmly of the opinion that the operation should not be entrusted to the buffer stock manager.

13 The Chancellor asked if anyone would be interested in purchasing the overhang of stocks on an off market basis. Mr Lunn replied that there was little prospect of this.

14 **The Chancellor** considered that the future of the Cornish tin industry was in a sense irrelevant in choosing between the various options put forward, since it would be unlikely to survive, whichever option were pursued. The Secretary of State for Trade & Industry replied that there was no precise estimate of the price level below which the Cornish industry would no longer be viable, and that the price levels forcast for the various options put forward were also inprecise. He considered that if option (b) would bring about a slow and more orderly reduction in the price, then the difficulties of the Cornish industry would be less immediate, and the position would be easier to defend politically. Our line would be that we had done our best to protect the industry, to the extent of keeping the Agreement going longer than perhaps we ought to have done, and that we were now doing all we could to soften the inevitable blow to the industry. Mr Channon had met two Cornish MPs the previous day (Mr Harris and Mr Penhaligon) and he emphasized the substantial political difficulties we would face if the Cornish tin industry failed to survive.

15 It was agreed that officials should be given a mandate to explore both options (b) and (c) with other member countries, and that the Bank should be given a mandate to explore with banks the possibility of their undertaking to ensure the orderly disposal of stock.

16 **The Secretary of State for Trade & Industry** raised the question of what would happen if some member countries refused to go along with a passage on the lines suggested. The Chancellor agreed that we would have to plan for that contingency, but for the moment any suggestions made by the UK would have to be presented as a package needing 100 per cent agreement, since otherwise members countries may be inclined not to agree. Mr Lunn considered that a large number of consumer countries would be prepared to support such a package, but was unsure about the position of producer countries. The Secretary of State for Trade & Industry said that all we could do at this stage was to take note of the difficulties that may arise.

17 The draft statement was then discussed. It was agreed that "save for that purpose" should be added to the end of the last sentence, since options (b) and (c) would both involve new commitments. The Governor was anxious that the statement should urge the Tin Council to resume at a particular date, since this would reassure the market. He suggested either the 5th or 6th of November. The Executive Chairman of the Tin Council was later consulted and confirmed that 6 November would be a practical proposition. It was agreed that if asked, we should say that the implication of the statement was that the UK accepted its share of the liabilities and was taking a moral lead in

encouraging other member countries to do the same. It was agreed that the statement should be issued as soon as possible in the name of the Secretary of State for Trade & Industry.

18 The Secretary of State for Trade & Industry made it clear that he was firmly of the view that any costs arising should be met by a claim on the contingency reserve.

19 The revised statement, as issued, is attached.

Press Notice

Department of Trade and Industry

1 Victoria Street, SW1H 0ET Press Office: 01-215 5068/9 Ref: 671
Out of hours: 01-215 7877

1 November 1985

TIN: STATEMENT BY SECRETARY OF STATE

In a statement issued today (1 November) Leon Brittan, Secretary of State for Trade and Industry, said:

"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

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PS/ Secretary of State for Trade and Industry

DRN seen.

1 November 1985

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Rachael Lomax
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1

Dear Rachel,

INTERNATIONAL TIN AGREEMENT

I attach a note of the meeting, chaired by my Secretary of State, held here earlier today to discuss the International Tin Agreement. In addition, I attach a copy of the statement issued by my Secretary of State following the meeting.

2 I am copying this letter and attachments to Len Appleyard (FCO), John Bartlett (Bank of England), Richard Gardiner, (Law Officer's Department), Ivor Llewelyn (MAFF) and David Norgrove (No 10).

Yours ever,
Michael

MICHAEL GILBERTSON
Private Secretary

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