FILE

LPO

cc: DTI

10 DOWNING STREET

THE PRIME MINISTER

12 November, 1985

Dear Dr. Owen,

Thank you for your letter of 1 November.

I share your concern about the difficulties in the tin market and their possible implications for mining in Cornwall. The Government are making every effort to achieve an early solution to the current problem.

Leon Brittan made it clear at an early stage that the members of the International Tin Council (ITC) should declare that all legal commitments of the Council would be met. The United Kingdom took the lead at the ITC meeting of 6-7 November in putting forward firm proposals designed to give effect to this intention and to ensure an early return to orderly trading in tin on terms which took account of the interests of both consumers and producers. Over the next few days we shall continue our efforts to obtain support for our proposals in readiness for the next ITC meeting on 14 November. We shall also continue to give encouragement to all the financial institutions involved in the tin market to play their part in drawing up proposals for the resumption of orderly ~~training~~.
trading

Yours sincerely

Margaret Thatcher

The Rt. Hon. Dr. David Owen, M.P.

RM.

Papers removed from file

Date

David

DN seen

PM's letter to Dr Owen is more or less exactly as DTI drafted.

*NB Dr Owen's office have noticed typing error in last line — should be "trading" not "training"

I've told Nick Towers (Press Office) Margo.

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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PS/ Secretary of State for Trade and Industry

11 November 1985

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear David,

THE TIN CRISIS : LETTER FROM DR DAVID OWEN OF 1 NOVEMBER

Thank you for your letter of 1 November.

2 As requested, I enclose a draft reply to Dr Owen for the Prime Minister's consideration. The draft concentrates on the positive steps being taken by the Government rather than on the merits of Dr Owen's proposals. It is likely that the contents of the reply will be made public and it would be unwise to discuss any particular ideas at this stage while discussions are still in progress with other International Tin Council members and with that organisation's creditors.

3 Ministers do not, of course, share Dr Owen's views about the merits of maintaining an artificially high price for tin. Even if they did, there would still be serious objections to his proposals. It could be difficult to lower the price of tin gradually; unless contracts were already made, buyers would simply not trade until the agreed lower level had been reached.

4 Dr Owen also dismisses too easily the difficulty of persuading other ITC members to pay up after the proposed Bank of England led 'bridging loan' had been made. Many countries would, no doubt, eventually recognise their obligations but there could be no guarantee that all would do so. The size of the ITC's debts cannot be quantified until a new market price has been established but it could be over £400 million in net terms ie. after the tin held as collateral or sold at a lower price by banks and brokers had been set against the gross debt.

DW1ADC

5 The position of the Cornish tin mines is precarious but it is too early to judge whether they will survive the present crisis or for Ministers to decide whether any special action is required in the area. However Dr Owen's statement that they would be in difficulties were the tin price to fall much below £6,000 per tonne is correct.

Yours ever,

Michael

MICHAEL GILBERTSON
Private Secretary

DW1ADC

Please type - DRV.

~~DRAFT~~ REPLY FOR THE PRIME MINISTER TO SEND TO:

The Rt Hon Dr David Owen MP
House of Commons
LONDON
SW1A OAA

L03AOV

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DW1ADB

Dr. David OWEN MP

8/11

10 DOWNING STREET

From the Private Secretary 1 November 1985

I attach a copy of a letter the Prime Minister has received from Dr David Owen MP.

I should be grateful if you could provide an urgent draft reply for the Prime Minister's signature, to reach me by Friday 8 November.

(DAVID NORGROVE)

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