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JU689
Secretary of State for Trade and Industry

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

20 November 1985

NBP at this stage

Dear Nigel,

INTERNATIONAL TIN AGREEMENT

At the Ministerial meeting which I chaired on 13 November it was agreed that at the meeting of the International Tin Council (ITC) on 14 November the UK representative would take the line that the banks' proposals for meeting the bank and broker debts should be used as a basis for negotiations by the ITC. It was further agreed that whilst the negotiations would be without prejudice to the legal position, the ITC and member countries should have brought home to them an awareness of the legal liabilities they might face should the negotiations fail.

It was also agreed that should the other member countries be prepared to see the Agreement collapse, the only options open to the UK Government appeared to be either to do nothing and let events take their course, or to intervene with a guarantee covering all the ITC's obligations to banks and brokers. However, none of us considered that on the basis of the evidence available at the time, such a guarantee should be given by the UK Government although it was recognised this might need to be reconsidered should circumstances change.

At the meeting of the ITC on 14/15 November it was agreed that an informal working party of the ITC should talk to the London Metal Exchange, to the banks, and then to the bankers and brokers together. The UK is not represented on this informal working party, which has terms of reference that prevent it from entering into any form of negotiations, since to do so would be thought to admit liability.

The ASEAN group of producer countries announced at the ITC meeting on 15 November that they had failed to reach agreement on joint proposals on the future of the International Tin Agreement. Although individual ASEAN members reserved the right to put forward their own proposals, no indication has yet been given that any proposals will be put forward when the meeting is resumed on 20 November.

Little progress was made in getting member countries to accept that they have legal obligations in respect of the deficit on the Council's operations. After consultation with the Solicitor General, I decided, in view of the number of questions which had been raised on this subject at the ITC meeting, to circulate a note on 17 November to all member countries setting out the UK view on the legal position.

The London Metal Exchange met the informal working party of the Tin Council on 18 November, and I understand that the meeting achieved little. The LME were left with the impression that the ITC members would take no action to enable the Buffer Stock Manager to meet his obligations when the tin market reopens.

Although we wil continue to press other member countries, particularly other European Community countries, to accept their legal obligations, and I have sent an urgent message to Vice President Narjes to ask the Commission (who are now sympathetic) to take a constructive role, there seems little chance that the resumed meeting of the Tin Council on 20 November will result in any significant steps towards resolving the crisis. Indeed there are strong signs that, even where other countries such as the FRG are sympathetic to our legal arguments, they consider that the way forward is, first, for tin trading to reopen on the LME, so that the ITC's debts are crystallised, and then for the legal processes to begin to pave the way for a negotiated settlement of obligations by ITC member countries.

the date of this letter!

I did not think it necessary to hold a further meeting of Ministers before the ITC meets on 20 November, but I believe we may need to meet again to review the position before the weekend, particularly if we are moving towards the reopening of tin trading on the LME on 25 November with the ITC unable to meet its obligations.

I am copying this letter to the Prime Minister, the Foreign and Commonwealth Secretary, the Minister of Agriculture, Fisheries and Food, the Solicitor General and the Governor of the Bank of England.

Yours,
Leon

LEON BRITTAN

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