PRIME MINISTER

## TIN

You asked whether we could get more urgency into the discussions on tin. I have told DTI of your feelings on this, but also mentioned that you are aware of all they are doing. Mr. Brittan and Sir Geoffrey Howe have been very active and need no exhortation.

It has now been confirmed that the LME tin market will be closed at least until 6 December. DTI are keeping in touch with LME and have decided to keep in still closer touch in future. But they have to keep in mind that we and they may at some stage be on opposite sides in litigation. (Mr. Channon yesterday saw the Chairman of the LME, in your place).

Officials will be preparing a full paper on the options next week.

DTI tell me that the Commission, who have an important role vis-a-vis the Community members of the ITC, are dragging their feet. Mr. Brittan has it in mind to talk to Lord Cockfield. He may want to suggest that you might also raise the question of tin at the European Council.

Can't we write a sharp letter to Delors?

Mr. Channon may be seeing the Malaysian Minister of Mines this weekend.

[Told MG, DTI 25/11. D Hannay is advising.]

With divergent interests between and within producer and consumer countries, and apparently conflicting advice about the legal positions being given, progress is likely to remain slow, however great the efforts we make.

MW

DRN

David Norgrove
22 November 1985

MJ2BJL

CONFIDENTIAL

File DA
48
cc FCO
HMT

# 10 DOWNING STREET

*From the Private Secretary*

25 November 1985

**TIN**

You gave me on Friday a report on where things stood on the discussions on tin and among other things told me that the Commission seemed to be dragging their feet.

The Prime Minister has commented that an option would be to write a sharp letter to Delors. You told me that David Hannay is to provide advice on how to deal with the Commission on this problem, and no doubt you will keep this possibility in mind.

I am copying this letter to Colin Budd (FCO) and to Tony Kuczys (HM Treasury).

(David Norgrove)

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

CONFIDENTIAL

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CCBG

Foreign and Commonwealth Office

London SW1A 2AH

28 November 1985

NBPM

Dear Mike,

Tin

David Norgrove mentioned in his letter to you of 25 November that the Prime Minister had commented that an option, if the Commission were dragging their feet, would be to write a sharp letter to Delors.

The Foreign Secretary raised this question with Delors on 24 November and Delors responded sympathetically. Mr Channon also put the case at the Foreign Affairs Council on 26 November and spoke to Narjes and Lord Cockfield separately. As the reporting telegrams show (copies enclosed) the Commission are now taking a much more positive line. In the circumstances the Foreign Secretary does not think it is necessary for the Prime Minister to write to Delors.

I am copying this letter to David Norgrove at No 10 and Tony Kuczys in HM Treasury.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

Michael Gilbertson Esq
Department of Trade & Industry

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TRADE

MOVEMENTS IN
VOLUME OF
TRADE

JAN 85

**10 DOWNING STREET**

Prime Minister 2

Tin

The LME have decided to postpone reopening the tin market for a further two weeks.

DRN
21/11

The market just won't be there if they go on like this! Can we not inject some more urgency into — the inter-government negotiations and

.820



cc B/G & return.

From the Minister for Trade

DEPARTMENT OF TRADE AND INDUSTRY
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GTN 215) 5144
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David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

21 November 1985

NBPM

Dear David

MR CHANNON'S MEETING WITH MR LION, CHAIRMAN OF THE LONDON METAL EXCHANGE, ON 21 NOVEMBER 1985

In advance of tomorrow's interdepartmental Ministerial meeting on tin, I attach for information a note of Mr Channon's meeting earlier today with Mr Lion. The meeting had been arranged following Mr Lion's letter to the Prime Minister of 7 November about the tin crisis.

I am copying this letter to Peter Ricketts (FCO), Philip Wynn Owen (Treasury), Henry Steel (Law Officers' Department) and John Bartlett (Bank of England).

Yours

Matthew Cocks

MATTHEW COCKS
Private Secretary to the
Minister for Trade (Paul Channon)

ENC

L03ABJ

MR CHANNON'S MEETING WITH MR LION, CHAIRMAN OF THE LONDON METAL EXCHANGE (LME), ON 21 NOVEMBER 1985 AT 14.45

Present
Rt Hon Paul Channon MP, Minister for Trade
Mr Murray MM, DTI

Mr J Lion, Chairman of LME
Mr M Brown, Chief Executive of LME

SUMMARY

Mr Lion expressed strong disappointment at the International Tin Council's (ITC) continuing inability to agree to meet their commitments. LME brokers had been asked to guarantee 10 per cent (around £90m) of the outstanding liabilities. Their parent firms were considering. Mr Lion floated the idea that the Bank of England could make available a bridging loan of around £550m to cover the ITC's debts until it reached agreement on its liabilities. Mr Channon said he would consider, but with no commitment whatsoever.

DETAIL

2 Mr Channon said he understood the LME's concern at the continued failure by other Member Countries of the ITC to join the UK in stating that they would meet their share of the ITC's obligations. The UK representative at the ITC meeting the day before had once again called on other Member Countries to come to a decision. In the event, the ITC members decided to reconvene on the 2 December, having spoken to their Governments.

3 Mr Lion thanked Mr Channon for seeing him. He said he had attended an informal working party at the ITC a few days before, and had come away more depressed than before about the prospects of solving the present crisis. He had had a rather one-sided interview with ITC members, with the FRG delegate acting as spokesman: the delegate had told him that frankly the ITC did not think it reasonable to be asked to go beyond their last subscription to the ITC. Mr Lion had argued that the Buffer Stock Manager (BSM) was the agent of the ITC and that therefore ITC members were responsible for the liabilities he had incurred. The FRG had said a few days' later that if it could be demonstrated that some impropriety had taken place, the ITC Member States would be responsible. Mr Lion found this a rather curious approach but felt that it showed the LME had made some headway, and it was a line of argument he was pursuing. He had consulted Lord Goodman about the crisis: although Lord Goodman's firm was not acting for the LME, he felt that he had nothing to lose by going to him for additional advice, even though this was a somewhat unorthodox approach. Lord Goodman felt that the issue of whether impropriety or recklessness had taken place was worth pursuing.

4 Mr Lion said that he had received a telex that afternoon from Turner Kenneth Brown, the solicitors to a firm called Manilow, which had Malaysian connections, saying that unless the LME assured them that afternoon that the Exchange would remain closed until the

negotiations of the ITC were concluded, they would take out an injunction to prevent the LME reopening. However, he felt that the LME should remain closed anyway, and would be putting the matter to his members the following day.

5 Mr Brown added that he could not see the LME reopening before December 6. He felt that a minority of members would like the LME to reopen earlier, for the sake of other metals, but that a majority would support closure until that date. Meanwhile some people seemed to be trying to trap the LME into setting a tin price. For example, a subsidiary of a Malaysian firm was trying to buy tin in London. Mr Lion said the LME would not publish a settlement price for tin since they were already long to some and short to others, and there was no price that would satisfy all the parties concerned.

6 Mr Lion said that various bankers had been discussing a £900m loan to meet the ITC's liabilities, but that people could not be forced to borrow if they did not want to. He thought that discussions on a possible loan should continue, and that details of the banking proposal should be finalised so that when the ITC decided how to resolve the situation, the banking details would already have been agreed. He said that the tin broking members of the LME had agreed to guarantee 10 per cent (around £90m) of the loan offered by the banks to the ITC, although he added that there may be queries and objections from the parent companies of those brokers before this could be finally agreed. Given the gravity of the crisis, in particular the effect of any default on the City's reputation, he floated the idea that the Bank of England could cover the ITC's debts until an agreement on how they would meet their liabilities had been reached. This would mean a bridging loan of £550m. He explained that there was some hope in the market that an as yet unseen lifeboat would appear, but that he was personally pessimistic about this. But in the circumstances he felt he should put forward the idea of a bridging loan of this type.

7 Mr Lion said that, more generally, the original mistake was in his view to allow the BSM to trade other than in cash. The BSM had been in effect buying forward without knowing he could meet his commitments. Mr Lion said that in his book this was "near fraud".

8 Looking ahead, Mr Brown said the LME recognised they would have to reopen at some stage regardless of how the ITC resolved the situation. In the end they might have to accept that the LME itself would fail. Other exchanges would probably come into being as a result, for example the Germans might set one up.

9 Mr Lion said that he felt the LME were not getting much feedback on the ITC meetings, and he wondered whether an LME advisor could be present. Mr Murray replied that he did not think this would be acceptable. For example, the ITC's legal advisors could not give their view in the presence of a potential litigant.

10 As to lobbying other ITC members, Mr Lion said that the LME were trying to influence other Governments through their parent companies, including for example in Japan. Mr Channon commented that HMG would not discourage pressure of this kind. We were making our own representations.

11 Mr Lion also said he felt the onward thrust of action on the crisis had fallen away recently and, speaking frankly, he wanted to stir it up again. He had therefore inspired Alex Fletcher MP to put down a priority written PQ calling for enquiries to be made into the present position.

12 Mr Channon concluded the meeting by saying that he would consider what Mr Lion had said, and in particular the question of a bridging loan, but, as he was sure Mr Lion would appreciate, this was without any commitment whatsoever.

Matthew Cocks

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