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FM UKREP BRUSSELS
TO DESKBY 300930Z FCO
TELNO 4189
OF 300005Z NOVEMBER 85
INFO IMMEDIATE EUROPEAN COMMUNITY POSTS, LISBON, MADRID
INFO ROUTINE UKMIS GENEVA, UKMIS NEW YORK, WASHINGTON, TOKYO,
INFO ROUTINE KUALA LUMPUR, JAKARTA, CANBERRA, OTTAWA, STOCKHOLM,
INFO ROUTINE OSLO, HELSINKI, BERNE, LAGOS, KINSHASA
INFO SAVING BRASILIA, LA PAZ

FRAME EXTERNAL

COREPER (DEPUTIES) 29 NOVEMBER
TIN

SUMMARY
1. UK, BELGIUM, FRANCE, ITALY AND GREECE INDICATED WILLINGNESS FOR THE COMMISSION TO UNDERTAKE SOUNDINGS FOR A SOLUTION TO THE TIN CRISIS (MOST REFERRED TO ''A SOFT LANDING'') AT THE TIN COUNCIL IN LONDON NEXT WEEK. NETHERLANDS AND GERMANY WERE RESERVED, BUT GERMANY WAS PREPARED TO AGREE ON THE UNDERSTANDING THAT THE COMMISSION WAS SIMPLY UNDERTAKING THE NECESSARY SOUNDINGS TO ENABLE THEM TO MAKE THE PROPOSALS THAT THE FOREIGN AFFAIRS COUNCIL HAD INVITED THEM TO MAKE EARLIER THIS WEEK. THE CHAIRMAN CONCLUDED ACCORDINGLY.

2. THE COMMISSION INTEND TO PROCEED STEP BY STEP, CONSULTING MEMBER STATES AT EACH STAGE. COREPER WILL REVERT TO THE QUESTION NEXT WEEK.

DETAIL
3. BRAUN (DIRECTOR-GENERAL, DG III, COMMISSION) SAID THAT THE COMMISSION COULD ONLY PROPOSE SOMETHING IF THEY WERE SURE THAT THE MEMBER STATES WOULD ACCEPT IT. THEY WERE PREPARED TO INVESTIGATE A SOLUTION FOR A SOFT LANDING, AND TO PROCEED TOWARDS AN ARBITRAGE ARRANGEMENT. BUT IT HAD TO BE CLEAR THAT ALL INVOLVED WOULD HAVE TO ACCEPT THE RESULT WITHOUT RESORTING TO LEGAL ACTION AND WOULD ACCEPT SACRIFICES.

4. ELLIOTT (UK) STRESSED THE URGENCY AND THE NEED TO AVOID CHAOTIC REOPENING OF TIN TRADING. THE LME COULD NOT STAY CLOSED MUCH LONGER. THE DIFFERENT LEGAL INTERPRETATIONS SHOULD BE SET ASIDE. OTHER MEMBERS OF THE INTERNATIONAL TIN AGREEMENT (ITA) LOOKED TO THE COMMUNITY FOR A LEAD. A PRAGMATIC SOLUTION WAS NECESSARY. FOR SUCH A SOLUTION TO BE PRESENTED AT THE TIN COUNCIL AT AN EARLY STAGE, IF POSSIBLE ON 2 DECEMBER, THE COMMISSION'S GOOD OFFICES WERE REQUIRED TO HELP PREPARE PROPOSALS AND THE COMMISSION NEEDED THE BACKING OF THE MEMBER STATES. THE UK WOULD GIVE ITS FULL BACKING TO ANY SUCH SOLUTION.

5. KITTEL (GERMANY) THOUGHT A COMMUNITY INITIATIVE WOULD BE COUNTER PRODUCTIVE. IT WOULD WEAKEN THE COMMUNITY'S NEGOTIATING POSITION. THERE WERE TOO MANY UNCERTAINTIES. IT WOULD BE BETTER TO LEAVE THE MATTER TO EXPERTS IN LONDON.

6. SMETS (REPRESENTING BELGIUM AND CHAIRMAN OF THE WORKING GROUP) SAID THAT IF A CONCRETE PLAN COULD BE PUT TOGETHER IT WOULD HAVE TO BE ON THE BASIS THAT NO LEGAL RESPONSIBILITY WAS ACCEPTED. BELGIUM AGREED (AD REFERENDUM) THAT THE COMMISSION COULD HAVE AN EXPLORATORY MANDATE IN LONDON AS LONG AS THIS DID NOT PREJUDICE THE LEGAL POSITION.

7. RIEGERT (FRANCE) AGREED WITH BELGIUM. HE ASKED FOR THE COMMISSION TO INVESTIGATE THE POSSIBILITY OF A SOLUTION, MAKING IT CLEAR THAT THIS GESTURE WAS PURELY POLITICAL AND DID NOT PREJUDICE THE LEGAL POSITION. FRANCE FAVOURED COMMODITY AGREEMENTS AND DID NOT WANT TO SEE THE TIN AGREEMENT LIQUIDATED. THE TERMS OF THE SOLUTION COULD NOT BE WORKED OUT IN DETAIL AT THIS STAGE. IN DUE COURSE THE COMMISSION WOULD HAVE TO COME BACK WITH A PROPOSAL IN THE COUNCIL FRAMEWORK. FRANCE WAS NOT IMPLYING COMMITMENT TO THE PROPOSAL THAT MIGHT EMERGE.

8. ITALY AND GREECE ALSO AGREED THAT THE COMMISSION SHOULD BE GIVEN A MANDATE TO EXPLORE A SOFT LANDING WITHOUT LEGAL COMMITMENT.

9. NETHERLANDS AGREED WITH GERMANY. THE QUESTION WAS A TACTICAL ONE AND SHOULD BE DISCUSSED IN LONDON. BECAUSE OF THE CLEAR LEGAL POSITION, OTHERS INVOLVED WERE SURELY MORE NERVOUS THAN THE ITA MEMBER GOVERNMENTS. IT WAS FOR THEM TO COME FORWARD WITH A SOLUTION. NETHERLANDS WAS NOT AT ALL KEEN ON SAVING THE TIN AGREEMENT.

10. BRAUN DESCRIBED HOW HE SAW THE PROCESS GOING AHEAD. IF ANYONE CLAIMED THAT THEIR LEGAL POSITION MEANT THAT ONLY ONE SOLUTION WAS ACCEPTABLE, IT WOULD BE IMPOSSIBLE TO CONTINUE THE EXPLORATION. THE COMMISISON WERE PREPARED TO MAKE SOUNDINGS OF ALL INVOLVED AND WOULD REPORT BACK TO THE MEMBER STATES AT EACH STAGE. A PRAGMATIC SOLUTION WOULD BE ONE TO WHICH ALL WOULD HAVE TO CONTRIBUTE ACCORDING TO THEIR CAPACITY. THE SOUNDINGS WOULD SOON END IF THE BANKERS AND BROKERS WERE ONLY PREPARED TO MAKE OPTICAL SACRIFICES. IT WOULD BE A DIFFICULT AND SENSITIVE OPERATION. THE BURDEN WOULD HAVE TO BE SHARED. IT WOULD BE CONSIDERABLY HIGHER FOR SOME THAN FOR OTHERS. THE PRODUCERS MIGHT NOT BE WILLING. HOW FAR WOULD EACH BE PREPARED TO GO? THE BANKS WOULD BE THE LEAST LIKELY TO LOSE BECAUSE THEY WOULD TAKE THE TIN. THEY SHOULD BE PREPARED TO GIVE UP SOME INTEREST. BROKERS HAD OFTEN EARNT A LOT IN THE PAST. THEY COULD ''BE LEFT TO STEW''. THE UK HAD MENTIONED THAT THE LME WOULD PROBABLY REOPEN SOON. WAS IT CERTAIN THAT IT COULD NOT STAY CLOSED LONGER? EVENTUALLY THE TIME WOULD COME WHEN THE COMMISSION WOULD /HAVE

HAVE TO HAND OVER TO SOMEONE ELSE TO PUT A PACKAGE TOGETHER. ARBITRAGE WOULD ONLY BE POSSIBLE IF ALL PARTIES UNDERTOOK NOT TO HAVE RECOURSE TO THE LAW. THE COMMISSION NEEDED THE FULL BACKING OF THE MEMBER STATES IF THEY WERE TO PURSUE ANY SUCH COURSE, WHICH WOULD HAVE TO BE CLOSE TO THE IDEA HE HAD OUTLINED.

10. KITTEL WAS NOT PREPARED TO COMMIT HIMSELF NOW TO ARBITRAGE. HE DID NOT WANT TO HAVE TO AGREE TO GIVE TO COMMISSION A FORMAL MANDATE. HE THOUGHT THE COMMISSION COULD EXPLORE WITHOUT ONE. GERMANY WANTED TO STAND BY HER LEGAL PPOSITION. BRAUN WANTED SOMETHING MORE EXPLICIT THAN THIS. THERE WOULD HAVE TO BE SERIOUS DISCUSSIONS AT ON THE SPOT COORDINATION AT EACH STAGE FOR THE COMMISSION TO KNOW WHETHER OR NOT THEY COULD GO ON. MEMBER STATES' DELEGATIONS WOULD NEED TO CONTAIN MORE THAN TIN EXPERTS. IF ANY MEMBER STATE COULD NOT GO ALONG WITH HIS IDEAS THEY OUGHT TO SAY SO AT ONCE - ON MONDAY. THE COMMISSION COULD NOT PROCEED AGAINST THE WISH OF A MEMBER STATE. MORE DISCUSSION WOULD BE NEEDED IN COREPER IF ANY DLEEGATION HAD MORE RESTRICTIVE INSTRUCTIONS IN LONDON THAN THEY HAD IN BRUSSELS. TACTICALLY, IT WOULD BE WRONG TO GIVE THE IMPRESSION OF BEING TOO RUSHED. A WEEK TO 15 DAYS WOULD BE NECESSARY TO NEGOTIATE SOMETHING AND MORE TIME WOULD BE NECESSARY TO PUT A PACKAGE TOGETHER.

12. ELLIOTT SAID THAT WHILE UK WAS PRINCIPALLY CONCERNED FOR OBVIOUS REASONS, THE WHOLE COMMUNITY HAD AN INTEREST IN ORDERLY RESUMPTION OF MARKETING. MOST OF THE BANKS/BROKERS WERE NOT BRITISH OWNED. THE LME WAS OF VALUE TO THE COMMUNITY INDUSTRY AS A WHOLE. GOVERNMENTS WOULD NOT WANT TO BE ACCUSED OF IRRESPONSIBILITY IN THE FACE OF AN ACUTE FINANCIAL CRISIS. THE QUESTION WAS HOW BEST TO AVOID LOSING MONEY. ELLIOTT WAS GRATEFUL TO THE COMMISSION FOR EXPLAINING THE EXTENT OF THEIR THINKING. THE PROPOSAL OF THE BELGIUM CHAIRMAN OF THE WORKING GROUP FOR AN EXPLORATORY MANDATE WAS A GOOD ONE. LIKE OTHER DELEGATIONS THE UNITED KINGDOM RESERVED ITS POSITION ON THE LEGAL QUESTION BUT IT WAS NECESSARY TO START THE PROCESS OF LOOKING FOR A PRAGMATIC SOLUTION. HE WAS SURE THAT IT WOULD PROVE POSSIBLE FOR ALL CONCERNED TO WORK TOGETHER TO FIND A SOLUTION WHICH ENABLED TRADING TO BE RESUMED WITH MINIMUM HARM TO ALL INTERESTS.

13. THE CHAIRMAN CONCLUDED THAT COREPER TOOK NOTE OF THE COMMISSION'S INTENTION TO TAKE THE NECESSARY SOUNDINGS AND THAT COREPER WOULD REVERT TO THE ISSUE NEXT WEEK.

/COMMENT

COMMENT

14. EARLIER IN THE DAY VAN RHIJN (DEPUTY DIRECTOR-GENERAL, DG III) HAD TOLD US THAT THE COMMISSION AND OTHER MEMBER STATES LOOKED TO THE UK TO TAKE RATHER MORE OF A LEAD IN PUTTING FORWARD IDEAS FOR A PRAGMATIC SOLUTION. OUR POSITION ON THE LEGAL SITUATION OBVIOUSLY MAKES IT DIFFICULT FOR US TO DO THIS OR RESPOND COMPLETELY POSITIVELY TO THE IDEAS THAT THE COMMISSION HAVE SKETCHED OUT. BUT IF WE DO HAVE IDEAS THAT WE WOULD LIKE TO PROMOTE WHICH WE WOULD FIND DIFFICULT TO PUT FORWARD ON OUR OWN ACCOUNT, THE COMMISSION MAY WELL BE OPEN TO CONSIDER TAKING THEM OVER AND PRESENTING THEM AS PART OF THEIR OWN. THEIR DELEGATION IN LONDON WOULD CERTAINLY WELCOME ANY THOUGHTS WE MAY HAVE ON POSSIBLE WAYS FORWARD.

15. COREPER WILL REMAIN SEIZED OF THIS ISSUE. THIS MAY PROVE HELPFUL IN RESOLVING ANY DEADLOCKS WHICH OCCUR IN ON THE SPOT COORDINATION. WE SHALL NEED REGULAR REPORTS OF THE ITC.

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FRAME EXTERNAL
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DTI - MOUNTFIELD, MURRAY, MALLINSON, LUNN, DENISON-CROSS
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