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OCMIAN 3702
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PP ROMEE

PP ATHEN

PP TOKYO

PP BANGK

PP JAKAR

RR HELSI

RR LAGOS

RR KINSH

RR NEDEL

FM FCOLN TO BREEC

201830Z DEC

GRS 630

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FM FCO

TO PRIORITY UKREP BRUSSELS

TELNO 493

OF 201830Z DECEMBER 85

AND TO PRIORITY EUROPEAN COMMUNITY POSTS, TOKYO

AND TO PRIORITY KUALA LUMPUR, BANGKOK, JAKARTA, CANBERRA, OTTAWA

AND TO ROUTINE STOCKHOLM, OSLO, HELSINKI, BERNE, LAGOS, KINSHASA

AND TO ROUTINE NEW DELHI

INFO ROUTINE LISBON, MADRID, BRASILIA, LA PAZ

INFO SAVING UKMIS NEW YORK, UKMIS GENEVA, WASHINGTON

MY TELNO 473: TIN

SUMMARY

1. THE TIN COUNCIL ADJOURNED ON 20 DECEMBER UNTIL 14 JANUARY.
'NEW AND MORE CONSTRUCTIVE PROPOSALS' FROM BANKS AND BROKERS WILL
BE AVAILABLE ON 23 DECEMBER. FRANCE, FRG AND NETHERLANDS
PREVENTED NEGOTIATIONS BETWEEN THE ITC AND ITS CREDITORS.

DETAILS

2. THE TIN COUNCIL MET FROM 18-20 DECEMBER. ON 18 DECEMBER, THE

PRODUCERS

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*We must
write again
about what
is missing
in the world.*

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PRODUCERS ANNOUNCED THEIR READINESS FOR THE ITC TO ENTER INTO NEGOTIATIONS WITH BANKS AND BROKERS, ON THE EXPRESS UNDERSTANDING THAT ALL DISCUSSIONS WOULD BE WITHOUT PREJUDICE TO LEGAL LIABILITY AND THAT THE OUTCOME WOULD BE REFERRED TO AND CONSIDERED BY GOVERNMENTS. CONSUMERS AS A GROUP WERE UNABLE TO AGREE THAT NEGOTIATIONS SHOULD BE CARRIED OUT ON BEHALF OF THE ITC, BECAUSE THE FRG, FRANCE AND NETHERLANDS REFUSED TO GIVE THE ITC ANY MANDATE TO WORK FOR A SETTLEMENT. A NUMBER OF CONSUMERS, INCLUDING THE UK, CANADA, THE NORDIC COUNTRIES AND JAPAN, EXPRESSED SUPPORT FOR THE PRODUCERS' PROPOSAL, BUT PRODUCERS INSISTED THAT A CONSENSUS WAS REQUIRED BEFORE ANY NEGOTIATIONS COULD COMMENCE.

3. ALL MEMBERS EXPRESSED THE VIEW THAT NONE OF THE INFORMAL PROPOSALS PUT FORWARD BY BANKS OR BROKERS SO FAR WAS ACCEPTABLE AND THAT ITA MEMBERS EXPECTED A GREATER CONTRIBUTION FROM THOSE CONCERNED. SEVERAL CONSUMERS, NOTABLY FRANCE, FRG AND NETHERLANDS, STILL TAKE THE VIEW THAT NEITHER THE ITC NOR ITS MEMBERS SHOULD THEMSELVES PUT FORWARD PROPOSALS: THESE MUST COME FROM THIRD PARTIES. THE ONLY NEW PROPOSAL TO BE ADVANCED DURING THE WEEK WAS PRESENTED ON 18 DECEMBER BY DREXEL BURNHAM LAMBERT, AN AMERICAN CONSORTIUM WITH NO AUTHORITY TO SPEAK FOR THE ITC'S CREDITORS. THIS PROPOSAL WAS IN ESSENCE A SLIGHTLY MODIFIED VERSION OF EARLIER SCHEMES. IT WAS RECEIVED POLITELY BUT WITHOUT INTEREST BY THE ITC.

4. IT WAS AGREED ON 19 DECEMBER THAT THE ITC EXECUTIVE CHAIRMAN, SWITZERLAND AND MALAYSIA WOULD PURSUE INFORMAL CONTACTS WITH A VIEW TO ELICITING MORE ACCEPTABLE PROPOSALS FROM BANKS AND BROKERS. THE EXECUTIVE CHAIRMAN REPORTED ON 20 DECEMBER THAT, FOLLOWING A MEETING WITH REPRESENTATIVES OF BANKS AND BROKERS, 'NEW AND MORE CONSTRUCTIVE PROPOSALS' WOULD BE AVAILABLE TO ITA MEMBERS ON 23 DECEMBER.

5. THE ITC HAS ADJOURNED UNTIL 14 JANUARY. HEADS OF DELEGATION WILL MEET ON 7 JANUARY. THE LME WILL REMAIN CLOSED FOR TIN TRADING UNTIL AT LEAST 13 JANUARY.

COMMENT

6. THIS WAS A DISCOURAGING WEEK, AND UNLESS THE ITC'S CREDITORS

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COME FORWARD WITH SUBSTANTIALLY IMPROVED OFFERS IT IS DIFFICULT TO ENVISAGE THAT A NEGOTIATED SETTLEMENT CAN BE ACHIEVED. WE SHALL CONTINUE TO DO WHATEVER WE CAN TO BRING THIS ABOUT, WHERE RELEVANT GIVING GREATER EMPHASIS TO THE POLITICAL DIMENSIONS OF THE PROBLEM (ESPECIALLY THE IMPORTANCE ATTACHED BY DEVELOPING COUNTRIES TO INTERNATIONAL COMMODITY AGREEMENTS) THAN TO OUR FAMILIAR ARGUMENTS ABOUT LEGAL LIABILITIES, THE NEED TO AVOID DEFAULT AND THE LIKELIHOOD OF CHAOS ON THE TIN MARKET. THERE IS LITTLE MORE THAT THE UK CAN NOW DO TO CONVINCE OTHERS TO WORK CONSTRUCTIVELY FOR A SETTLEMENT.

7. ADDRESSEES SHOULD CONTINUE TO TAKE OPPORTUNITIES TO PUT OUR CASE ACROSS, EMPHASISING THE POLITICAL DIMENSION AS APPROPRIATE AND MAKING THE ADDITIONAL POINT THAT THE TIN CRISIS IS NOW EIGHT WEEKS OLD AND THAT IF THE YEAR ENDS WITHOUT ANY PROGRESS THE REPUTATION OF RESPONSIBLE GOVERNMENTS WILL LOOK INCREASINGLY TARNISHED. EC POSTS SHOULD ALSO EXPRESS THE VIEW THAT IT IS GREATLY TO BE REGRETTED THAT THE COMMUNITY HAS PROVED UNABLE TO RESPOND TO THIS CHALLENGE.

HOWE

INTERNATIONAL TIN AGREEMENT

FRAME EXTERNAL

ERD
SEAD
SAMD
PUSD
WAD
CAFD
LEGAL ADVISERS
FED
SAD
NAD
UND
SIR W HARDING
MR DAVID THOMAS

COPIES TO :

MR M LUNN (MM)	DTI	ASHDOWN HSE
MR J DENISON CROSS	"	"
MR K HALL (MM)	"	"
MR T VENESS ITP2	DTI	1 VICTORIA ST
MR R TAYLOR ITP2	"	"
MR BRIAN MURRAY	"	"
MR R THOMAS, MAFF		
MR D FRY, MAFF		
MR MOUNTFIELD, HM TREASURY		
MR M REDLEY, HM TREASURY		
MR B GUNN, BANK OF ENGLAND		
MR M SAUNDERS, LAW OFFICERS DEPT,		
ROYAL COURTS OF JUSTICE, THE STRAN		

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