

SUBJECT

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DTI

File K6
Sir P. C. ...

10 DOWNING STREET

PRIME MINISTER'S

THE PRIME MINISTER

PERSONAL MESSAGE

20 December 1985

SERIAL No. T 237/85

Dear Helmut,

I am writing to you to express my very great concern about the failure of the International Tin Council to meet its financial obligations.

As you know, since the announcement on 24 October that the ITC could no longer honour its contracts, the member countries of the 6th International Tin Agreement have been unable to agree on any course of action to resolve the crisis in the tin market.

From the outset, the UK Government made it clear that we were prepared to meet our share of the ITC's commitments, and we called on other governments to do likewise. We also circulated to other Member Governments a note setting out our analysis of the legal position.

If a settlement is to be reached, the position of the European Community countries, as the largest consumer group within the ITC, will be crucial. And within the European Community, the largest consumer of tin is the Federal Republic of Germany. However, up to now I understand that your Government has rejected any legal responsibility for the debts of the ITC, and has opposed a proposal that representatives of the Commission of the European Communities should take the lead in seeking to negotiate a settlement.

/I am writing

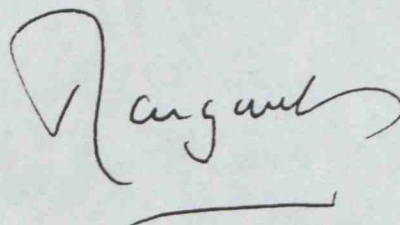
I am writing personally to you because my Government and yours were reluctant to join the 6th International Tin Agreement, and it was only following discussion at the Anglo-German Summit in March 1982 that Britain and the Federal Republic of Germany decided to join the Agreement. Our Governments reached that view because, despite our reservations about the ITC, we believed that wider interests were at stake, concerning international trade and our relations with developing countries.

I really must ask you to look again urgently at the position now being taken by your Government. Although you and we may disagree about the extent of the legal liability of Member States - an issue which could only be fully tested in the Courts - it cannot be right for governments to disclaim responsibility for the actions of a body set up to act on their behalf, and on whose governing Council they are directly represented. If no solution can be found, and the ITC fails leaving massive debts, I believe the repercussions will be widespread, and highly damaging to the international financial and commercial community.

You will know that the producer governments have now agreed to work towards a negotiated settlement. This is the first encouraging development in weeks of discussions. The stand taken by the consumer governments will decide whether it makes any headway. I am not approaching any other Community Head of Government at this stage, but I believe that if you were to join us in taking a constructive position in favour of a negotiated settlement, other Community and other consumer governments would be likely to follow.

Warm regards

Yours ever



His Excellency Dr. Helmut Kohl.

PRIME MINISTER

The background is set out in the DTI letter below, including German views.

FCO are more doubtful about sending a message: the Foreign Secretary sent a message to Genscher within the last few days and FCO argue that the message is unlikely to do any good so why waste political capital on it.

There is also the fact that your message on Ptarmigan did not win the contract. Even though this was for no fault of yours, the Opposition would crow if a message on tin had no effect. It also risks associating you more closely with apparent City shenanigans.

Against this the DTI argue that a message could help tip the balance, and some hundreds of millions and possibly jobs are at stake.

Do you want to send a message?

Has the T in Council

Failed?
not.

Mongo
Duty Clerk
DR D R NORGROVE

19 December 1985



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JU7

Secretary of State for Trade and Industry

19 December 1985

CONFIDENTIAL

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

Dear David,

TIN

We spoke yesterday about the possibility of the Prime Minister sending a personal message to the Chancellor Kohl. It is now our firm advice that such a message should be sent as soon as possible: a draft is attached. I understand the Foreign Office are content for a message to be sent.

It might be helpful if I give an update of where things now stand. The ITC met yesterday and will continue today. The producer countries unanimously recommended that the ITC should now negotiate with the banks and brokers with a view to reaching a settlement of the crisis. This is a major and encouraging new development. In contrast, consumer countries, in particular other EC States, continue to pursue a negative line.

The position of the Germans appears ambiguous. They have been leading the opposition within the EC to a settlement, and Genscher took a very strong line at the Foreign Affairs Council on Tuesday. However, the German Economic Ministry appears to take a softer line. We understand that the State Secretary of the Economics Ministry (von Würtzen) was behind a move yesterday by a number of German banks to approach Lord Richardson asking if he would act as an intermediary in negotiations between the ITC and the brokers. Lord Richardson is unavailable for personal reasons, but the German banks are continuing to look for alternatives. We also understand that von Würtzen considers that a message from the Prime Minister to Chancellor Kohl would have a very significant impact at this stage.



Given the hope of progress represented by the producers' decision yesterday, and the apparent division within the German Government, we believe that a Prime Ministerial message at this stage might just be sufficient to get the Germans to change their position. The pivotal role the Germans are playing in the EC on this issue means that a shift in their attitude to a settlement could well bring other EC States into line. You will also see from paragraph five of the attached draft that Germany played a particular role in the UK decision to join the 6th International Tin Agreement.

I am copying this letter and enclosure to Robert Culshaw (FCO), Philip Wynn Owen (Treasury), Henry Steel (LOD), and John Bartlett (Bank of England).

Yours ever,

Michael

MICHAEL GILBERTSON
Private Secretary

Enc



CONFIDENTIAL

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Letter
DRAFT MESSAGE FOR THE PRIME MINISTER TO SEND TO CHANCELLOR KOHL

INTERNATIONAL TIN COUNCIL

very great
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If a settlement is to be reached, the position of the European Community Countries, as the largest consumer group within the ITC, will be crucial. And within the European Community, the largest consumer of tin is the Federal Republic of Germany. However, up to now I understand that your Government has rejected any legal responsibility for the debts of the ITC, and has

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*I lean type
thought.
DHL*



opposed a proposal that representatives of the Commission of the European Communities should take the lead in seeking to negotiate a settlement.

I am writing personally to you because my Government and yours were reluctant to join the 6th International Tin Agreement, and it was only following ^{at the Anglo-German Summit} a discussion which I had with Chancellor Schmidt ⁱⁿ March 1982 that Britain and the Federal Republic of Germany decided to join the Agreement. ^{Our Governments} We reached that view because, despite our reservations about the ITC, we believed that wider interests were at stake, concerning international trade and our relations with developing countries concerning commodity agreements more generally.

I really must ask you to look again

~~I would be grateful if you would review~~ urgently the position

taken by your Government concerning the default of the ITC. *Although you*

And we may disagree about the extent of
~~though you may have doubts about the legal liability of Member~~
although - an issue which could only be fully tested in the Courts -
~~States, (doubts which the UK does not share)~~ it is I am sure a

very bad example for Governments to disclaim responsibility for the actions of a body set up to act on their behalf. ^{*this is*} especially so where Governments are directly represented on the governing Council, as in the case of the ITC. If no solution can be found, and the ITC fails leaving massive debts, then I believe the repercussions of the ITC crisis will be widespread and damaging to the international financial and commercial community.



I am not approaching any other Community Head of Government at this stage, but I believe that if you were to join us in taking a constructive position in favour of a negotiated settlement, other Community and other consumer governments would be likely to follow.