LR

cc FCO
DTI

10 DOWNING STREET

THE PRIME MINISTER

6 January 1986

SUBJECT cc OPS
MASTER

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 4/86

Dear Prime Minister.

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 large consumer countries within the ITC will be crucial. I understand that up to now your Government has rejected any legal responsibility for the debts of the ITC.

/I really

I really must ask you to look again urgently at the position now being taken by your Government. The discussion has so far concentrated on the extent of the legal liability of member states. This could only be fully tested in the courts. But what concerns me above all is the impression which we, as members of the ITC, would give to the rest of the world if we appeared to disclaim all responsibility for the actions of a body set up to act on our behalf, and on whose Governing Council we as member states are directly represented. I need hardly remind you of the importance we have all placed on an orderly solution to the debt crisis which avoids any question of unilateral default. The maintenance of good faith and integrity in international financial dealings is of vital importance to your country and to mine.

You will know that the producer governments have agreed to work towards a negotiated settlement. This was the first encouraging development in weeks of discussion. As a result, on 23 December a package of proposals was put to the member countries of the ITC by bank and broker representatives, as a means of resolving the crisis. The stand taken by the consumer governments will decide whether it makes any headway. Despite the heavy burden we in particular are asked to bear, which is the limit of what we are willing to undertake by way of support for this proposal, the UK government has decided to participate if and only if all other ITC governments agree to do so. I believe that if you were to join us in taking a constructive position in favour of the proposal other consumer governments would be likely to follow. If no such solution can be found in the very near future, despite the support of the UK government and others, those responsible for the failure would risk considerable criticism for the damage they would have caused to international markets and to the international economy.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Yasuhiro Nakasone.

Already Td: T4/86

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OCMIAN 5280
CONFIDENTIAL
DD 060200Z TOKYO
FM FCOLN TO TOKYO
051015Z JAN
GRS 506

CONFIDENTIAL

FM FCO
TO DESKBY 060200Z TOKYO
TELNO 7
OF 051015Z JANUARY 86

TIN
1. PLEASE PASS AS SOON AS POSSIBLE ON MONDAY THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO PRIME MINISTER NAKASONE.
QUOTE:

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 LARGE CONSUMER COUNTRIES WITHIN THE ITC WILL BE CRUCIAL. I UNDERSTAND THAT UP TO NOW YOUR GOVERNMENT HAS REJECTED ANY

LEGAL

LEGAL RESPONSIBILITY FOR THE DEBTS OF THE ITC.

I REALLY MUST ASK YOU TO LOOK AGAIN URGENTLY AT THE POSITION NOW BEING TAKEN BY YOUR GOVERNMENT. THE DISCUSSION HAS SO FAR CONCENTRATED ON THE EXTENT OF THE LEGAL LIABILITY OF MEMBER STATES. THIS COULD ONLY BE FULLY TESTED IN THE COURTS. BUT WHAT CONCERNS ME ABOVE ALL IS THE IMPRESSION WHICH WE, AS MEMBERS OF THE ITC, WOULD GIVE TO THE REST OF THE WORLD IF WE APPEARED TO DISCLAIM ALL RESPONSIBILITY FOR THE ACTIONS OF A BODY SET UP TO ACT ON OUR BEHALF, AND ON WHOSE GOVERNING COUNCIL WE AS MEMBER STATES ARE DIRECTLY REPRESENTED. I NEED HARDLY REMIND YOU OF THE IMPORTANCE WE HAVE ALL PLACED ON AN ORDERLY SOLUTION TO THE DEBT CRISIS WHICH AVOIDS ANY QUESTION OF UNILATERAL DEFAULT. THE MAINTENANCE OF GOOD FAITH AND INTEGRITY IN INTERNATIONAL FINANCIAL DEALINGS IS OF VITAL IMPORTANCE TO YOUR COUNTRY AND TO MINE.

YOU WILL KNOW THAT THE PRODUCER GOVERNMENTS HAVE AGREED TO WORK TOWARDS A NEGOTIATED SETTLEMENT. THIS WAS THE FIRST ENCOURAGING DEVELOPMENT IN WEEKS OF DISCUSSION. AS A RESULT, ON 23 DECEMBER A PACKAGE OF PROPOSALS WAS PUT TO THE MEMBER COUNTRIES OF THE ITC BY BANK AND BROKER REPRESENTATIVES, AS A MEANS OF RESOLVING THE CRISIS. THE STAND TAKEN BY THE CONSUMER GOVERNMENTS WILL DECIDE WHETHER IT MAKES ANY HEADWAY. DESPITE THE HEAVY BURDEN WE IN PARTICULAR ARE ASKED TO BEAR, WHICH IS THE LIMIT OF WHAT WE ARE WILLING TO UNDERTAKE BY WAY OF SUPPORT FOR THIS PROPOSAL, THE UK GOVERNMENT HAS DECIDED TO PARTICIPATE IF AND ONLY IF ALL OTHER ITC GOVERNMENTS AGREE TO DO SO. I BELIEVE THAT IF YOU WERE TO JOIN US IN TAKING A CONSTRUCTIVE POSITION IN FAVOUR OF THE PROPOSAL OTHER CONSUMER GOVERNMENTS WOULD BE LIKELY TO FOLLOW. IF NO SUCH SOLUTION CAN BE FOUND IN THE VERY NEAR FUTURE, DESPITE THE SUPPORT OF THE UK GOVERNMENT AND OTHERS, THOSE RESPONSIBLE FOR THE FAILURE WOULD RISK CONSIDERABLE CRITICISM FOR THE DAMAGE THEY WOULD HAVE CAUSED TO INTERNATIONAL MARKETS AND TO THE INTERNATIONAL ECONOMY.

UNQUOTE.

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

10 DOWNING STREET

12/1

PRIME MINISTER

There is a message in one of your boxes from Mr. Nakasone about tin. The Foreign Office are proposing to send instructions to Tokyo to follow up the message through our Ambassador. Can we please proceed on these lines?

Yes

C.D. Powell

MT

11.1.86

Foreign and Commonwealth Office

London SW1A 2AH

3 January 1986

Dear Charles,

Tin: Messages from the Prime Minister

Following this morning's discussion, officials have revised the draft messages to the French President and the Dutch Prime Minister on the lines suggested by the Prime Minister and her colleagues. I enclose draft texts. The first four paragraphs are identical to those in Annex B of Mr Brittan's minute of 2 January to the Prime Minister.

I also enclose a draft to the Japanese Prime Minister, which omits references to the European Community. Sir Geoffrey Howe considers that this message could be despatched without waiting for a response from the Europeans.

If you, Rachel Lomax and John Mogg have no comments, we shall telegraph the messages this evening for delivery by our Ambassadors in Paris, The Hague and Tokyo.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

PRIME MINISTER

DEPARTMENT: **TEL. NO:**

Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

TO: 1. THE PRESIDENT OF FRANCE
2. THE PRIME MINISTER OF THE NETHERLANDS

Your Reference

Copies to:

PRIVACY MARKING

..................In Confidence

CAVEAT......................

SUBJECT:

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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. Within the European Community I understand that up to now your Government has rejected any legal responsibility for

Enclosures—flag(s)...........

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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 really must ask you to look again urgently at the position now being taken by your government. The discussion has so far concentrated on the extent of the legal liability of member states. This could only be fully tested in the courts. But what concerns me above all is the impression which we, as members of the ITC, would give to the rest of the world if we appeared to disclaim all responsibility for the actions of a body set up to act on our behalf, and on whose Governing Council we as member states are directly represented. I need hardly remind you of the importance we have all placed on an orderly solution to the debt crisis which avoids any question of unilateral default. The maintenance of good faith and integrity in international financial dealings is of vital importance to your country and to mine.

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/government

government has decided to participate if and only if all other ITC governments agree to do so. I believe that if you were to join us in taking a constructive position in favour of the proposal other Community and other consumer governments would be likely to follow. If no such solution can be found in the very near future, despite the support of the UK government and others, those responsible for the failure would risk considerable criticism for the damage they would have caused to international markets and the international economy.

France

HE M
François Mitterrand My dear President

Netherlands

~~My dear P~~

HE Dr
Ruud F M
Lubbers.

Dear Prime Minister

Japan Dear P M

HE Mr Yasuhiro Nakasone

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

PRIME MINISTER

Reference

LO3 ASA

DEPARTMENT: TEL. NO:

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Unclassified

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..................In Confidence

CAVEAT......................

Enclosures—flag(s)..........

TO:

PRIME MINISTER OF JAPAN

Your Reference

Copies to:

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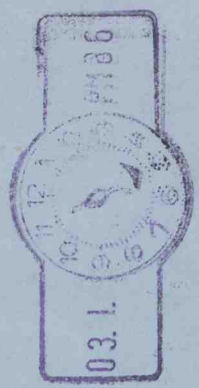
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