

CCBG



FROM: A W KUCZYS

DATE: 10 January 1986

Ponnie Minister 2

DTI officials are pessimistic about the chances of reaching agreement in time, even though there has been a little movement. A meeting has been arranged for next week.

DLV
10/1

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Sir G Littler
Mr F E R Butler
Mr Lavelle
Mr Cassell
Mr Norgrove - No.10
Mr Appleyard - FCO
Miss Bradley - DTI

MR MOUNTFIELD

ms

this is the
bank and other
proposal.

TIN

The Chancellor spoke on the phone yesterday evening to Herr Stoltenberg in Bonn. He said that the UK supported the Swiss proposal, and its success now hinged on Germany coming in. He hoped very much that the Germans would agree to do this. He recognised that the legal position was unclear, but said that the sovereign Governments had a moral obligation not to run away from debts incurred in their name.

2. Stoltenberg explained that he had only that afternoon been made aware of the Swiss proposal. As he understood it, Governments were being asked to put up £200 million in total (the Chancellor said the figure should be in the range of £160 to £200 million) and this seemed disproportionate to the amount other parties were to provide. The German share would come to about DM 60 million. He would now need to discuss this with his Ministerial Colleagues in the Federal Republic. But his first impression was that the Federal Government had no authority to pay this money unless there was a clear legal obligation to do so. He might not be able to complete Ministerial discussions for at least a week.



3. The Chancellor stressed the urgency of the matter, and hoped both that Stoltenberg would be able to hold discussions more quickly than that, and that a way could be found round the question of whether the German Government had authority to pay this money. He recalled that when the previous tin agreement had been replaced in 1982, both the UK and Germany had been reluctant to join the new agreement, but at the Anglo-German Summit in that year they had decided to join because of wider issues. Similarly there were wider issues which applied now. Stoltenberg promised to consider carefully what the Chancellor had said.

A handwritten signature in dark ink, appearing to read "A W Kuczys".

A W KUCZYS

