OO

CB9
B/up

CONFIDENTIAL

JU175

PRIME MINISTER

TIN

You have arranged a meeting for the afternoon of 16 January and it may be helpful in advance of that meeting for me to set out the current position and the issues we may need to address.

2 The International Tin Council met on 14 and 15 January. The main item discussed at the Council was the package of proposals put forward by the banks and brokers, which we agreed to support at your meeting on 3 January. Little progress was made at the ITC meeting, which has now been adjourned until Friday 17 January. All members of the ITC consider the bank and broker package to be a significant step forward, but the ITC has not been able to agree to set up a negotiating team to act on its behalf in further discussions with the banks and the brokers: the European Community countries, led by France, Germany and the Netherlands, blocked a renewed proposal from the tin producing countries for formal negotiations to begin. An informal team of ITC delegates, on which the UK will be represented, will be having discussions with the banks and brokers on 16 January. The objective of these discussions is to explore the possibility of improving the proposals put forward by the banks and brokers; the main difficulty for most ITC member countries is that the

size of the financial contribution required of them collectively, at £200m, is too high.

3 This lack of real progress is disappointing, especially the fact that the position of the German, French, Dutch and Japanese delegates at the ITC meeting do not appear to have changed significantly despite the messages which you have sent to their respective heads of government. Reports from our posts in the countries concerned, however, indicate that your messages have provoked a reappraisal of policy towards the tin crisis, and the results have perhaps not yet had time to work through to the level of the ITC delegates.

4 There are two other developments to report. First, an Arab bank which had made a loan to the ITC lost an application in a court today for an injunction against the ITC. I do not yet have details of the judgement, but I gather that the judge ruled that the ITC had immunity. Second, I have heard that the brokers have approached Dr Henry Kissinger with a view to his acting as a mediator to try to find a solution to the tin crisis. If there is any prospect of a negotiated settlement being reached, this could be a constructive move on the part of the brokers.

5 At our meeting on 3 January we deferred consideration of possible fallback options open to us if a negotiated settlement could not be reached. A paper by my officials was circulated by my office last night which analyses in more detail the likely costs which might fall

to HMG in the event of a failure to resolve the tin crisis, coupled with a description of three possible alternative fallback options. You will see from the cover note describing these fallback options that officials do not consider that any of the fallback options which they have identified would lead to a significant reduction in Exchequer costs. However, officials do suggest that the analysis points to the possibility of HMG contributing more financially to a solution to the crisis than the guarantee of a £50m loan as proposed in the bank and broker package.

6 I am very concerned at the reports I have had of the pressures being put on the UK delegates to the ITC for HMG to make a greater contribution to a solution to the crisis. I am quite sure that, at this stage, we should continue to resist all such suggestions vigorously, and insist that it is for other delegations now to come forward with indications that they are prepared to pay their share of the financial contributions required of them in order to resolve the tin crisis.

7 At your meeting on 16 January we will need to consider what further steps we should take internationally to promote a settlement to this crisis. A further formal approach at Ministerial level, so soon after your own messages to other heads of government, might be counter-productive. But we should all continue to press our colleagues informally, at every available

opportunity, of the need to find urgently a solution to this crisis.

8 I believe we should rule out the possibility of HMG financing a rescue package for the banks and brokers if no solution can be found and the tin market collapses, in the light of the conclusions reached by officials in their paper on fallback options.

9 I am sending a copy of this minute to the Foreign Secretary, the Chancellor of the Exchequer, the Chief Secretary, the Solicitor General and the Governor of the Bank of England.

L. B.

L B

16 January 1986

Department of Trade & Industry