



10 DOWNING STREET

THE PRIME MINISTER

SUBJECT cc MASTER
OPS

6 February 1986

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 25/86

Dear Prime Minister,

The International Tin Council's efforts to resolve the crisis in the tin market brought about by the Council's failure to meet its financial obligations are a cause for mounting concern. I am writing to ask your personal support in the search for a solution.

As you know, since the announcement on 24 October 1985 that the ITC could no longer honour its contracts, the member countries of the 6th International Tin Agreement have been trying to agree on a course of action to deal with the crisis.

From the outset, we 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. On 23 January, the European

Community made a statement announcing its readiness to negotiate with representatives of banks and brokers on certain conditions. On 30 January, the ITC was at last able to agree to set up a small team to enter into negotiations. The team held its first meeting with bank and broker representatives on 31 January. When the ITC reconvenes on 5 February, it is hoped that members will be in a position to authorise the negotiating team to put a counter-proposal to creditors. It will be essential for the ITC to offer a realistic figure as its contribution to a settlement.

I understand that, although Belgium was party to the European Community's statement on 23 January, your representative was unable to join the ITC consensus on 30 January. In these circumstances I wish to express my very strong hope that your Government, now the only one that has not yet felt able to join support in the search for a burden-sharing solution, will be prepared to reconsider its position. The ITC has a difficult task in its negotiations with creditors, and it needs the full support of every member government. The possibility of a successful conclusion to the negotiations would be seriously threatened if the member governments do not achieve a consensus.

As members of the European Community, I believe we have an increased responsibility for doing everything possible to resolve this problem. What concerns me above all is the impression which governments, as members of the ITC, would give to the rest of the world if we appeared to disclaim 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 trust you share my own view of the importance of finding orderly solutions to the debt crisis which avoid 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. I feel confident that you will wish Belgium to be associated with her Community partners in the effort to ensure that this is achieved.

Yours sincerely
Raymond Stalder

His Excellency Mr. Wilfried Martens

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PP ROMEE
FM FCOLN TO BREMB
051910Z FEB
GRS 664

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FM FCO
TO DESKBY 060830Z BRUSSELS
TELNO 14
OF 051910Z FEB 86
INFO PRIORITY EUROPEAN COMMUNITY POSTS

MY TELNOS 47 TO UKREP BRUSSELS AND 58 TO BONN: INTERNATIONAL TIN COUNCIL

1. FOLLOWING IS THE TEXT OF A MESSAGE FROM THE PRIME MINISTER - AGREED TODAY - TO MR MARTENS. GRATEFUL IF YOU WOULD DELIVER IMMEDIATELY.

2. IN HANDING IT OVER YOU SHOULD POINT OUT THAT THERE HAVE BEEN DEVELOPMENTS IN THE ITC THIS AFTERNOON SINCE THE PRIME MINISTER SIGNED THE LETTER AND, IN PARTICULAR, AN OFFER HAS BEEN MADE BY THE ITC AS A CONTRIBUTION TO A SETTLEMENT. HOWEVER, THE MAIN THRUST OF THE MESSAGE REMAINS RELEVANT, IN PARTICULAR THE NEED FOR A MORE REALISTIC FIGURE TO BE PUT FORWARD BY THE ITC AND THE NEED FOR BELGIUM TO PLAY A FULL PART IN THE DIFFICULT PROCESS OF NEGOTIATING A SOLUTION TO THIS PROBLEM.

BEGINS.

THE INTERNATIONAL TIN COUNCIL'S EFFORTS TO RESOLVE THE CRISIS IN THE TIN MARKET BROUGHT ABOUT BY THE COUNCIL'S FAILURE TO MEET ITS FINANCIAL OBLIGATIONS ARE A CAUSE FOR MOUNTING CONCERN. I

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AM WRITING TO ASK YOUR PERSONAL SUPPORT IN THE SEARCH FOR A SOLUTION.

AS YOU KNOW, SINCE THE ANNOUNCEMENT ON 24 OCTOBER 1985 THAT THE ITC COULD NO LONGER HONOUR ITS CONTRACTS, THE MEMBER COUNTRIES OF THE 6TH INTERNATIONAL TIN AGREEMENT HAVE BEEN TRYING TO AGREE ON A COURSE OF ACTION TO DEAL WITH THE CRISIS.

FROM THE OUTSET, WE 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. ON 23 JANUARY, THE EUROPEAN COMMUNITY MADE A STATEMENT ANNOUNCING ITS READINESS TO NEGOTIATE WITH REPRESENTATIVES OF BANKS AND BROKERS ON CERTAIN CONDITIONS. ON 30 JANUARY, THE ITC WAS AT LAST ABLE TO AGREE TO SET UP A SMALL TEAM TO ENTER INTO NEGOTIATIONS. THE TEAM HELD ITS FIRST MEETING WITH BANK AND BROKER REPRESENTATIVES ON 31 JANUARY. WHEN THE ITC RECONVENES ON TODAY, IT IS HOPED THAT MEMBERS WILL BE IN A POSITION TO AUTHORISE THE NEGOTIATING TEAM TO PUT A COUNTER-PROPOSAL TO CREDITORS. IT WILL BE ESSENTIAL FOR THE ITC TO OFFER A REALISTIC FIGURE AS ITS CONTRIBUTION TO A SETTLEMENT.

I UNDERSTAND THAT, ALTHOUGH BELGIUM WAS PARTY TO THE EUROPEAN COMMUNITY'S STATEMENT ON 23 JANUARY, YOUR REPRESENTATIVE WAS UNABLE TO JOIN THE ITC CONSENSUS ON 30 JANUARY. IN THESE CIRCUMSTANCES I WISH TO EXPRESS MY VERY STRONG HOPE THAT YOUR GOVERNMENT, NOW THE ONLY ONE THAT HAS NOT YET FELT ABLE TO JOIN SUPPORT IN THE SEARCH FOR A BURDEN-SHARING SOLUTION, WILL BE PREPARED TO RECONSIDER ITS POSITION. THE ITC HAS A DIFFICULT TASK IN ITS NEGOTIATIONS WITH CREDITORS, AND IT NEEDS THE FULL SUPPORT OF EVERY MEMBER GOVERNMENT. THE POSSIBILITY OF A

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SUCCESSFUL CONCLUSION TO THE NEGOTIATIONS WOULD BE SERIOUSLY THREATENED IF THE MEMBER GOVERNMENTS DO NOT ACHIEVE A CONSENSUS.

AS MEMBERS OF THE EUROPEAN COMMUNITY, I BELIEVE WE HAVE AN INCREASED RESPONSIBILITY FOR DOING EVERYTHING POSSIBLE TO RESOLVE THIS PROBLEM. WHAT CONCERNS ME ABOVE ALL IS THE IMPRESSION WHICH GOVERNMENTS, AS MEMBERS OF THE ITC, WOULD GIVE TO THE REST OF THE WORLD IF WE APPEARED TO DISCLAIM 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 TRUST YOU SHARE MY OWN VIEW OF THE IMPORTANCE OF FINDING ORDERLY SOLUTIONS TO THE DEBT CRISIS WHICH AVOID 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. I FEEL CONFIDENT THAT YOU WILL WISH BELGIUM TO BE ASSOCIATED WITH HER COMMUNITY PARTNERS IN THE EFFORT TO ENSURE THAT THIS IS ACHIEVED.

ENDS.

HOWE

INTERNATIONAL TIN AGREEMENT

FRAME EXTERNAL

ERD
SEAD
S AM D
PUSD
WAD
C AF D
LEGAL ADVISERS
FED
SAD
NAD
UND
SIR W HARDING
MR DAVID THOMAS

COPIES TO:-

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

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10 DOWNING STREET

From the Private Secretary

5 February, 1986.

Thank you for your letter of 5 February to Charles Powell. I enclose a slightly revised version of the message. This can be transmitted now. A signed top copy will follow tomorrow.

(David Norgrove)

R.N. Culshaw, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

5 February 1986

Dear Charles,

International Tin Council (ITC): Message to Belgian Prime Minister

The Foreign Secretary considers that it would be valuable if the Prime Minister would send a message to Mr Martens, similar to the messages she sent to Chancellor Kohl, President Mitterrand, Mr Lubbers and Mr Nakasone, urging him to reconsider his Government's opposition to the International Tin Council's negotiations with creditors.

Belgium concurred in the EC's decision of 23 January to participate in a negotiation with the creditors, subject to certain conditions. But it is now isolated within the European Community in being the only ITA member to dissociate itself from the subsequent ITA decision to set up a negotiating team. We understand that Belgian Ministers will meet on 7 February to consider the Government's position. The Belgian representative to the ITC told DTI officials on 31 January that a message from Mrs Thatcher could well produce the right decision. We believe that the Prime Minister's messages to other Heads of Government played an important part in persuading them to abandon their opposition to negotiations.

/ I enclose a draft. The Department of Trade & Industry, with whom we have discussed the need for a message to Mr Martens, concur.

I am sending copies of this letter to John Mogg at the DTI and Rachel Lomax at the Treasury.

Yours ever,
Robert Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

P.S. Please let me know by telephone if the Prime Minister is content. We shall then telegraph the text to Brussels.

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RECEIVED THE SECRETARY OF THE

NAVY DEPARTMENT



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DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

TO:

HE Mr Wilfred Martens

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

ask for
~~I am writing to you to enlist your personal support on a~~
~~matter which is now the cause of mounting concern, about~~ *refer to*
~~the International Tin Council's efforts to resolve the~~
~~crisis in the tin market brought about by the Council's~~
~~failure to meet its financial obligations are a matter of~~ *cause for*
~~mounting concern. I am writing to ask your~~
~~personal support in the search for a solution.~~
As you know, since the announcement on 24 October 1985
that the ITC could no longer honour its contracts, the
member countries of the 6th International Tin Agreement
have been trying to agree on a course of action to deal
with this crisis.

From the outset, we 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

Enclosures—flag(s).....

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. On 23 January, the European Community made a statement announcing its readiness to negotiate with representatives of banks and brokers on certain conditions. On 30 January, the ITC was at last able to agree to set up a small team to enter into negotiations. The team held its first meeting with bank and broker representatives on 31 January. When the ITC reconvenes on 5 February, it is hoped that members will be in a position to authorise the negotiating team to put a counter-proposal to creditors. It ^{will be} ~~is~~ essential for the ITC to offer a realistic figure as its contribution to a settlement.

I understand that, although Belgium was party to the European Community's statement of 23 January, your representative was unable to join the ITC consensus on 30 January. ⁹ ~~It is~~ in these circumstances ~~that~~ I wish to express my ^{very strong} ~~urgent~~ hope that your Government, ~~which is~~ now the only one that has not yet felt able to join support in the search for a burden-sharing solution, will be prepared to reconsider its position. ^{The ITC has a} ~~The~~ difficult task ^{and it} ~~the ITC~~ in its negotiations with creditors ^{needs} the full support of every member government. The possibility of ^{a successful conclusion to the} ~~carrying negotiations forward to a~~ ^{would} ~~successful conclusion~~ ^{if} ~~will~~ be seriously threatened ^{by} ~~there is~~ ^{no} ~~absence~~ ^{among the member governments} ~~absence of consensus~~ and none of us would, I am sure, wish to be seen by producers and consumers alike as an obstacle in the way of a fruitful negotiation.

As members of the European Community, I believe we have ^{would} an ~~enhanced~~ responsibility for doing everything possible to resolve this problem. What concerns me above all is the impression which governments, as members of the ITC, would give to the rest of the world if we appeared to disclaim 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 trust you share my own view of the importance of finding ^{orderly} solutions 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. I feel confident that you will wish Belgium to be associated with her Community partners in the effort to ensure that this is achieved.

