BP/34

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CWBb

FROM: P WYNN OWEN
DATE: 6 February 1986

MR MOUNTFIELD

cc
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir P Middleton
Sir G Littler
Mr F E R Butler
Mr Lavelle
Mr Monck
Mr Burgner
Mr Peretz
Mr Scholar
Mr Culpin
Mr Perry
Mrs Case
Mr Davies
Mr Redley
Miss Wilson
Mr Cropper
Mr Lord
Mr Hosker (T.Sol)
Mr Gilbertson
PS/SoS DTI
Mr Norgrove (No 10)

Prime Minister 2
See over.
DHN
6/2

MS

TIN: CONVERSATION WITH MR RUDING

The Chancellor spoke to Mr Ruding, the Dutch Finance Minister at 3.45pm today.

2. The Chancellor said there had been some movement in the right direction since they last spoke. He was grateful for Mr Ruding's part in that. But the position was nowhere near what was needed to make NEWCO, the only possible solution, viable. All parties seemed prepared to go further, with the exception of the EC. The matter was urgent (a matter of days) and he spoke to Mr Ruding as President of ECOFIN. The issue was not one of legal obligations, but of responsibilities to developing countries, many of whom, such as Indonesia, were hard hit by the recent oil price fall. The proposed ITC contribution of £60 million must be doubled to £120 million - the very least that could attain a deal. Additional to any ITC contribution was HMG's £50 million guarantee. At the latest Kuala Lumpur price of around £5,450 per tonne a large proportion of that guarantee would be called. The UK would therefore probably be liable for as much as all the

other consumers put together. The UK could do no more.

3. Mr Ruding said the Dutch could accept a total ITC contribution of up to £100 million. He thought the Germans and Belgians could probably wear that too. But any such move would be on the conditions that:

(i) the UK was prepared to turn as much as possible of its £50 million guarantee into a straight cash advance

(ii) the banks and brokers combined matched the ITC contribution at the very least.

(iii) all parties should confirm there was no remaining legal liability.

4. The Chancellor said the UK might be willing to convert half its guarantee into cash, provided a deal could be struck with all other parties at a reasonable figure. He pressed Mr Ruding hard to agree to a £120 million ITC contribution. Mr Ruding said no one had authority to go over a £100 million ITC contribution. It would be very difficult to get up to £120 million, though it might be possible to get a little beyond £100 million. He would talk urgently to EC colleagues and raise the matter in the Dutch Cabinet tomorrow.

5. The Chancellor thanked Mr Ruding for his co-operation and both Ministers expressed the hope that a solution could be found.

Rw.

P WYNN OWEN