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Secretary of State for Trade and Industry

PS/

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7 February 1986

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Prime Minister 2
DRN
7/2

Dear David,

TIN

... I attach for information a report on the latest position from officials who attended the ITC today. It has not yet been seen by my Secretary of State.

2 I am copying this letter and attachment to Philip Wynn Owen (Treasury), Robert Culshaw (FCO), Henry Steel (MOD), and John Bartlett (Bank of England).

Yours ever,

Michael

MICHAEL GILBERTSON
Private Secretary

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TIN : POSITION AS AT 7 FEBRUARY 1986

SUMMARY

Reasonably encouraging in that the International Tin Council agreed to put an offer of £100m to the banks and brokers, plus £25m from the UK up-front in the form of cash. The proposal was, as expected, rejected as inadequate, the banks and brokers have asked for £120m from the ITC plus a guarantee of the first £50m of loss above £270m. The Council will meet next week on 10 February; discussion is planned to cover the non-financial aspects of the package. London Metal Exchange has agreed to stay closed until mid-March subject to a suitable package being agreed.

DETAIL

2 (i) The International Tin Council agreed that the banks and brokers could be offered £100m as a final offer, without prejudice to legal liability and the whole package including non-financial matters to be ad referendum to Member Governments. Two countries, Italy and Belgium, have reserved their positions. The UK has in addition agreed to put in £25m of its proposed £50m guarantee under the Newco plan up-front in cash. The remaining £25m will remain available as guarantee.

The Chancellor's information seems to have been inaccurate.

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(ii) This offer was put to the banks and brokers who said that if the International Tin Council increased its offer to £120m this with a UK contribution of £50m in cash and the guarantee of the first £50m of losses over £270m by the ITC would secure a settlement.

(iii) Several member countries of the ITC including France and the Netherlands, said they could not go to £120m.

(iv) The Council agreed to meet again on Wednesday, 10 February to discuss some of the non-financial aspects of the proposed package. Meanwhile the current offer would remain on the table.

(v) The London Metal Exchange has agreed to remain closed until the first half of next month, subject to a suitable package being agreed.

(vi) The Arab Banking Corporation has obtained a judgement against the International Tin Council for £15m. It is not clear whether the judgement can be enforced.

(vii) The Minister for Trade has been called to appear before the Select Committee on Trade and Industry on 19 February to be questioned on tin.

NEXT STEPS

3 (i) It would be premature at this stage to try to push the International Tin Council or individual

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member countries into agreeing to offer the further £20m plus the £50m guarantee. Pressure to do so at this stage could be counter-productive. The banks and brokers should again be asked to be patient.

(ii) Meanwhile discussion of some of the non-financial matters will proceed e.g. stock disposal policy; control of Newco; export controls. At some time next week we should consider the appropriateness of again bringing up the question of the need for a greater ITC contribution and possibly approaching other countries. We shall also need to consider what steps we might take if negotiations break down which in the event of the ITC being unable to increase its present offer, or in the event of non-agreement on the non-financial matters, is possible.

The message from you giving final warning has already been prepared.

M LUNN
7 February 1986

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