

CONFIDENTIAL

PRIME MINISTER

TIN

The ITC over the weekend moved much closer to an agreement on tin. The negotiating team for the producer countries agreed to ask member governments to pay their share of a contribution of £115 million. This falls £5 million short of the £120 million which was assumed in the package which was discussed at your last meeting on tin. The ITC want the UK to put up an extra £5 million, on top of the £50 million which Ministers have agreed they would be prepared to offer in the last resort.

The banks and brokers would put up £75 million, and a further £55 million would be found in various forms of contributions and loans from the banks.

Member governments have been given until Friday this week to say whether or not they can agree to this package.

DTI will be consulting you and other Ministers. At this stage there seems to be no suggestion of the Bank of England putting in a further contribution on its own account, so £55 million would in fact be less than the Government was earlier prepared to countenance. But the UK clearly could not agree to the proposal until it seemed reasonably certain that everyone else was likely to go along with the package.

One other comment. If the Government is seen to be putting in £55 million beyond its proper share to save the LME, there will be immense pressures for action to ease the problems of the Cornish tin industry. It would be preferable to offer this support voluntarily rather than have it forced on the Government later. But this is something you would not wish to be seen proposing yourself.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

DTI should be thinking now about how a rescue package would be presented. I shall ask them to set this in hand, and particularly to consult the Law Officers on whether the Government can explain publicly the legal advice it was given on the nature of the legal liability and the risk that the UK would have to pay up the whole amount and then seek to recover from other countries. The Government's position will be much harder to defend if this legal advice cannot be avowed.

DN

24 February, 1986.

CONFIDENTIAL

JD54