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10 DOWNING STREET

From the Private Secretary

26 February 1986

Dear Richard,

TIN

The Prime Minister today held a meeting to discuss tin, on the basis of your Secretary of State's minute of 25 February. Present were your Secretary of State, the Foreign Secretary, the Chancellor of the Exchequer, the Chief Secretary, the Solicitor General, the Deputy Governor of the Bank of England, Mr. R. Mountfield and Mr. Murray (DTI), the Hon. Humphrey Maud (FCO), Mr. P. Mountfield (Treasury), Mr. R.K. Gardner (Law Officers' Department) and Mr. C. Farrow (Bank of England).

The meeting first discussed the position reached by other countries. Belgium was continuing to stand out but a message received from the Belgian Prime Minister today could on one interpretation be taken to mean that they would go along with the agreement if pushed hard enough. There were, however, still doubts about whether all the European countries, and particularly the producer countries, would go along with the proposed agreement.

On the question whether the UK should be prepared to increase its contribution from £50m to £55m (on top of its share of the proposed ITC contribution of £115m) it was argued that to do so, even at the last minute, could well lead to further pressure for an even larger contribution. The UK had said that £50m was the maximum that could be offered, and it should stick to that position. To stick to £50 million could lead to a breakdown of the discussions. Or it could lead to an increase in loans or other contributions, or an acceptance that contributions of £265 million were adequate.

It was agreed that the UK representatives should tell the ITC that the Government were not prepared to increase their contribution beyond £50m. That was a final offer.

It was further agreed that the Department of Trade and Industry would prepare a line to take and briefing against the possibility both that the rescue package would succeed and that it would break down. It was particularly important that if the rescue attempt failed the Government should be ready immediately to put across its point of view. If the rescue package succeeded it would not be possible for the Government to explain the legal advice it had received until all the banks and brokers had signed up to the rescue package and the related loan agreements.

SRW

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), Tony Kuczys (HM Treasury), Richard Broadbent (Chief Secretary's Office), Henry Steel (Law Officers' Department) and John Bartlett (Governor of the Bank of England's Office).

Yours ever

David

(David Norgrove)

Michael Gilbertson, Esq.,
Department of Trade and Industry.