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SECRETARY OF STATE FOR TRADE AND INDUSTRY

Future Arrangements for Tin

1. Thank you for your letter of 28 May about future arrangements for tin.

2. There can be no question of contemplating any new International Tin Agreement with market intervention provisions. I share your assessment that fortunately such an Agreement would be unlikely to find sufficient support from consumer and producer countries.

3. I welcome the European Community's decision that future arrangements for tin, if any, should be considered outside the International Tin Council. It follows that we can and should take the view that the ITC's staff and activities should be run down, so that by the end of its natural life the ITC will have been reduced to a point where it could either be wound up or retained in vestigial form for the sole purpose of dealing with law suits and other aspects of the crisis.

4. It is less easy to assess the balance of advantage to HMG in seeking to bring about the early termination of the 6th International Tin Agreement. The legal framework of the ITA might indeed be useful, as you suggest, until we are confident that there is no further risk of legal actions on a joint and several basis against HMG. Lawyers will need to consider whether the ITC could remain in being after the termination of the 6th ITA. The preliminary view of my legal advisers is that because the ITC's assets are exhausted, it could be argued that there would be no basis under ARticle 60 of the 6th ITA to maintain the ITC once the ITA itself had expired. Given these uncertainties our best course may be to let others take the lead in discussing

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the termination or possible extension of the 6th ITA and retention of the ITC beyond 30 June 1987.

5. I can understand your lack of enthusiasm for any future international arrangements relating to tin. It could probably be argued that Community competence does not apply to study groups, and we should therefore be free to base a decision about participation on economic, political and financial grounds. It is for you to judge whether the type of monitoring and analytical work that has been undertaken by the ITC and its forerunners over the years is or is not useful to the UK trade and industry. There are however some wider questions to be considered, such as the role of international study groups in encouraging market transparency and enabling developing countries to take informed decisions about diversification, structural adjustment and/or increased investment in particular commodities. Given the problems confronting countries primarily dependent on commodities for their export earnings, and the pressure we face to increase our assistance to developing countries generally, it would seem churlish and could be counter-productive to refuse to have anything to do with a study group whose terms of reference explicitly precluded any form of market intervention. I hope therefore that you can agree to keep this question open, at least until we have had an opportunity collectively to review our overall policy on commodities and to ascertain the views of our Community partners, the Americans, Canadians and Japanese.

6. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer, the Minister of Agriculture, Fisheries and Food, the Solicitor General, the Governor of the Bank of England, and to Sir Robert Armstrong.

G.

Foreign and Commonwealth Office (GEOFFREY HOWE)

2 June 1986

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10 DOWNING STREET

From the Private Secretary

3 June 1986

FUTURE ARRANGEMENTS FOR TIN

The Prime Minister has seen your Secretary of State's letter of 28 May to the Foreign Secretary about future arrangements for tin.

The Prime Minister agreed with all four of the conclusions reached by your Secretary of State. In reading the letter she was particularly sceptical about the possibility of a Tin Study Group.

I am copying this letter to Rachel Lomax (HM Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Michael Saunders (Solicitor General's Office), John Footman (Governor of the Bank of England's Office) and Michael Stark (Cabinet Office).

(DAVID NORGROVE)

Michael Gilbertson, Esq.,
Department of Trade and Industry

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Rpr please

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

2 June 1986

Dear Paul,

FUTURE ARRANGEMENTS FOR TIN

I have seen your letter of 28 May to Geoffrey Howe setting out the approach you recommend we should take in discussions of future arrangements relating to tin and the future of the present International Tin Council and International Tin Agreement.

We certainly would not want to support any new agreement with market intervention provisions. On a study group, you are the best judge of the utility of such an arrangement. I would certainly not want to press for one. However carefully devised now, there must be a risk that such a group would provide a focus for later development. Refusal to participate also has the advantage of underlining our view that a radical rethink of commodity policy is needed.

On ending the present Agreement and the future life of the Council, I agree that we should seek to wind up both the present ITC and ITA at the earliest possible moment, subject to the need to protect our legal position and to avoid prejudicing the chance of recovering from other countries their share of any judgement which might be made against member countries. In the meantime, I agree that the costs of the ITC should be kept to a minimum, including pressing for the maximim reduction of ITC staff as soon as possible.

On the legal position which you reported in your letter of 25 April to the Chancellor, I share Geoffrey Howe's view that it is too early to contemplate an out of court

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settlement with ITC creditors. I attach considerable importance to HMG doing nothing to indicate that it might be prepared to contemplate such a settlement. We should not respond to such suggestions until they are put to us by all the creditors acting together.

I am copying this letter to the Prime Minister, the Foreign Secretary, the Minister of Agriculture, Fisheries and Food, the Solicitor General, the Governor of the Bank of England and to Sir Robert Armstrong.

Yours ever,

John

JOHN MacGREGOR

cc/pa

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Secretary of State for Trade and Industry

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20 June 1986

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs,
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

NBP?

Dear Geoffrey,

FUTURE ARRANGEMENTS FOR TIN

Thank you for your minute of 2 June. I have also seen the letters of 2 June from the Chief Secretary and the letter of 3 June recording the Prime Minister's views. at flap

I accept that as you state in paragraph 5 of your minute there are wider questions to be taken account of in considering our attitude to future arrangements for tin.

I also accept that study groups do not have the same potential to incur contingent liabilities as commodity agreements with economic provisions. However, I am far from convinced that a tin study group would bring about any very notable benefits either to the participating countries or to the industry concerned.

I therefore believe that on balance the advantage in this case lies in our stating from the outset that we do not wish to take part in any future arrangements on tin. This would have the advantage of underlining our view that a radical rethink of commodity policy is required, and it might induce others who would otherwise be reluctant to speak out, to do so on the same lines.

I therefore propose to instruct our representative that when this subject is discussed in Brussels, we should state that the

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UK does not wish to participate in any future arrangements relating to tin.

You may also like to know that at its session held from 29 May to 4 June, the International Tin Council passed a resolution recommending to members that it would not be necessary or appropriate that there should be a 7th International Tin Agreement. In making this resolution the Council noted that the question of the extension of the 6th International Tin Agreement was a separate matter and was being separately considered by the Council. The Council also decided that any future international cooperation on tin should take place outside the framework of the Sixth ITA and its Council. Such cooperation should not include market intervention measures.

As I said in my letter of 28 May, I regard it as important that we should if necessary for legal reasons be able to keep the 6th International Tin Agreement and/or the International Tin Council in being after the Agreement is due to expire on 30 June 1987. Lawyers from our Departments are carefully considering this point with the Treasury Solicitors in the context of the UK possibly being sued on a joint and several basis.

I am copying this letter to the Prime Minister, the Chief Secretary, the Minister of Agriculture Fisheries and Food, the Solicitor General, the Governor of the Bank of England, and to Sir Robert Armstrong.

Yours, Paul

PAUL CHANNON

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