

Commodities by Marcia Merry

Bankers ask bail-out after tin crash

The member-nations of the ITA simply can't go on borrowing to buy up their own exports to maintain the price.

On Nov. 5, fourteen creditor banks and two brokers to the International Tin Council the producers of tin (Malaysia, Indonesia, Thailand, and others), asked the British government for financial help after the tin producers stopped payments to the banks on Oct. 24.

On that day, the world tin market crashed at the London Metals Exchange, when the ITC producer-nations quit intervening to buy and stockpile their own production. These nations had been borrowing money for this purpose since 1981, in an effort to prevent the fall of tin prices. In effect, on Oct. 24, the tin producers said they no longer have the money, they don't want to borrow more money, and they can't pay the bank lenders anymore.

The view of the banks involved was expressed by the Nov. 2 edition of the London *Economist*: "The ITC members are dishonouring their debts as much as any Latin American country that tells its bankers to take a running jump into Lake Titicaca."

The list of banks holding this tin debt reads like a roster of the international dirty-money cartel. Among the 14 banks are: Hambros, Kleinwort Benson, Standard Chartered, the Trustee Savings Bank, and Arbuthnot Latham of Britain; the Dutch group Algemeine Bank Nederland, Banque Indosuez of France, Australia and New Zealand banking group, Arab Bank Corporation, Malayan Banking and Bumiputra of Malaysia, Bangkok Bank, Bank of Tokyo, and the Canadian-based Bank of Nova Scotia. The

two trading firms who have lent money to the ITC are Shearson Lehman Brothers and Metallgesellschaft.

The tin-producing nations, to counter the decline of tin prices in recent years—the result of the world depression which is itself bank policy—formed a council to attempt to maintain the tin price by themselves buying the commodity and stockpiling it. However, under depression conditions, tin use is falling. On Oct. 24, twenty-three governments—signatories to the International Tin Agreement (ITA)—simultaneously defaulted on their loans. They could not continue to borrow money to try to prop up the price.

On the morning of Oct. 24, the tin price fell from £8,330 a ton to £8,140 a ton. Then, the ITA's representative, Pieter de Koning, who buys surplus tin on behalf of the ITA, called the Exchange to say that he had run out of money. The London Metals Exchange was immediately shut.

The Exchange has remained closed for close to two weeks in an attempt to wrangle a government-connected deal to coerce the tin-producing nations to resume their debt payments. Spokesman for the stung banks said Nov. 5 that none will go bankrupt, but they want some money. The 14 banks, plus two brokers owed money, met Nov. 5 with British government representatives and offered to defer repayment of principal and interest for 12 months if the tin council's member-countries would come up with some cash and find new ways to guarantee their loans.

The total outstanding debts of the International Tin Council producer-nations are estimated to be about \$570 million. The bank creditors group, in association with the London Metals Exchange, called on the Bank of England to back their scheme for refinancing this debt, so that the London tin market could reopen. As of Nov. 6, there was no agreement by the Bank of England.

The banks asked for a response from Bank of England by Nov. 8. Trying to justify their demand for a bail-out package, Jacques Lion, the London Metals Exchange chairman, said that British authorities should realize that huge "invisible" export earnings for Britain are at stake in the crisis, in the form of "financial services." As of Nov. 5, the banks chose not to declare the ITC in default of its debts.

During the recent depression years, more and more of the world tin output has come to be regarded as "excess" of supply over demand. World mining output decreased from about 4.212 thousand tons in 1983 to 4.209 thousand tons last year. About 80,000 tons a year are considered excess. The ITA tin stockpile had risen to about 130,000 tons by October this year, and money is owed to the Tin Exchange brokers and creditors for over half of that quantity.

Not all tin exporting nations are part of the ITA. The six who signed the agreement are Australia, Indonesia, Malaysia, Nigeria, Thailand, and Zaire, who together account for over 70% of the world tin trade. In the years since 1981, these nations have been holding their exports to about 60% of 1981 levels.

Bolivia has not been part of the agreement; nor have Brazil and China, who increased their tin exports in the last two years.