TIN RESTRICTION.

MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES.

TIN mining is one of the principal industries of Malaya, which produced 69,366 tons* in 1929 out of a total world production of 186,218 tons. It is also an important industry in Nigeria, which in 1929 produced 10,412 tons. The Governments of both these countries have been seriously affected in revenue by the recent collapse in the price of tin. The extent of this collapse is shown by the following figures of the average cash price of metallic tin on the London market:

<table>
<thead>
<tr>
<th>Year</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
</tr>
</thead>
<tbody>
<tr>
<td>1921</td>
<td>165</td>
<td>145</td>
<td>178</td>
<td>185</td>
<td>163</td>
<td>145</td>
<td>133</td>
<td>133</td>
</tr>
<tr>
<td>1922</td>
<td>159</td>
<td>159</td>
<td>174</td>
<td>174</td>
<td>168</td>
<td></td>
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<tr>
<td>1923</td>
<td>202</td>
<td>202</td>
<td>202</td>
<td>202</td>
<td>202</td>
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<td></td>
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<tr>
<td>1924</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td>249</td>
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<td></td>
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<tr>
<td>1925</td>
<td>261</td>
<td>261</td>
<td>261</td>
<td>261</td>
<td>261</td>
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</tbody>
</table>

For the year 1930, the monthly average price was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
</tr>
</thead>
<tbody>
<tr>
<td>1921</td>
<td>163</td>
<td>145</td>
<td>176</td>
<td>174</td>
<td>165</td>
<td></td>
<td>145</td>
</tr>
<tr>
<td>1922</td>
<td>159</td>
<td>159</td>
<td>159</td>
<td>159</td>
<td>159</td>
<td></td>
<td>159</td>
</tr>
<tr>
<td>1923</td>
<td>202</td>
<td>202</td>
<td>202</td>
<td>202</td>
<td>202</td>
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<td>202</td>
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<tr>
<td>1924</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td></td>
<td>249</td>
</tr>
<tr>
<td>1925</td>
<td>261</td>
<td>261</td>
<td>261</td>
<td>261</td>
<td>261</td>
<td></td>
<td>261</td>
</tr>
</tbody>
</table>

Since then it has been as low as £105, but rose as the proposals for restriction became known, and on the 8th January stood at £120.

In view of the fall in price and the accumulation of stocks, efforts have been made throughout the past year by the Tin Producers' Association to restrict production. A scheme was formulated by the Tin Producers' Association in December 1929, and was widely adopted about February 1930. The details of this scheme, which was modified in April 1930, were briefly as follows:

(1) All plants in operation throughout 1929 and working in 1930 shall be so regulated as to produce in the calendar year 1930 not more than 80 per cent. of their output in 1929.

(2) All plants which began operations later than the 1st January, 1929, shall be so regulated as to produce in the calendar year 1930 not more than 80 per cent. of their estimated production for 1930.

(3) Where methods (1) and (2) are inapplicable, regulation on a time basis may be adopted, provided the maximum working time does not exceed 80 per cent. of the normal.

The Malay States and Nigerian Governments were not asked to assist in this voluntary restriction scheme, but both Governments realised that it was not in their interests that their tin ore reserves should be depleted at uneconomic prices. The Federated Malay States Government, in November 1929, decided to consider no

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* Tin statistics are quoted in long tons, each equalling 2,240 lbs.
further applications for mining leases of tin mining land, or for the conversion of
agricultural to mining land, except in special cases, and the Nigerian Government
waived its normal requirements as to the amount of work necessary in each mining
area, and decided not to grant new mining leases.

The voluntary restriction scheme has had a certain measure of success. The
Tin Producers’ Association claims that, without it, the 1930 production would have
been between 50,000 and 40,000 tons more than it actually was, but, throughout
1930, there was a rapid falling off in tin consumption, despite the heavy falls in
the price of the metal, with the result that visible supplies of tin, which were
29,249 tons in November and 22,449 tons in December 1929, had by June 1930
increased to 46,385 tons, and remained round about that figure for the rest of 1930.
That this accumulation represents large overproduction is shown by the fact that
the average visible world stocks for each of the preceding ten years were as
follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Long tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>19,725</td>
</tr>
<tr>
<td>1921</td>
<td>19,697</td>
</tr>
<tr>
<td>1922</td>
<td>24,668</td>
</tr>
<tr>
<td>1923</td>
<td>21,740</td>
</tr>
<tr>
<td>1924</td>
<td>21,254</td>
</tr>
<tr>
<td>1925</td>
<td>19,538</td>
</tr>
<tr>
<td>1926</td>
<td>15,386</td>
</tr>
<tr>
<td>1927</td>
<td>14,295</td>
</tr>
<tr>
<td>1928</td>
<td>18,308</td>
</tr>
<tr>
<td>1929</td>
<td>25,181</td>
</tr>
</tbody>
</table>

The voluntary restriction scheme was naturally difficult to work. Tin pro-
duction in the Netherlands East Indies is easily controlled, as it is concentrated in
three concerns: Banka, a Government Mine; Billiton, a Government-controlled
Company; and Singkep, a small independent producer. The Dutch seem to have
had some justification for thinking that in Malaya, where there are many producers,
the curtailment achieved under voluntary restriction was not as much as had been
promised. They are in a strong position, as it is admitted that the Dutch are the
cheapest producers. (They claim to be able to produce at a profit at the Banka Mine
with tin at £80 a ton.) They informed the Tin Producers’ Association that they
would cease to participate in restriction as from the end of 1930 unless curtailment
could be placed under Government control. Many Malayan producers were also
dissatisfied with the failure of the scheme to maintain the price of tin at a
reasonable level, which they attributed—

(a) To uncertainty as to how long the scheme would continue on a voluntary
basis; and

(b) To failure of certain producers to take their proper part in it.

As a result of the difficulties experienced, the Tin Producers’ Association
arranged a Conference in London on the 26th November 1930, which was attended
by the Governor of the Straits Settlements (Sir Cecil Clementi), the Director of
Industries of the Netherlands East Indies (Mr. de Jongh), two Directors of the
Billiton Company, two representatives of Bolivian producers (one of whom was
Mr. Patino), and Sir P. Cunliffe Lister, Sir William Peat and Mr. J. Howeson, representing the Tin Producers’ Association. The Conference recommended—

(a) That the world’s production of tin metal for 1931 should be fixed at
145,000 long tons. This figure to be capable of alteration from time to
time by mutual agreement.

(b) That the quotas of production permitted to be exported during 1931 and
1932 should be based upon the actual output in 1929 in the following
ratios:

<table>
<thead>
<tr>
<th>Region</th>
<th>Per cent.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federated Malay States</td>
<td>35.9</td>
</tr>
<tr>
<td>Netherlands East Indies, Bolivia and Nigeria</td>
<td>40.6</td>
</tr>
</tbody>
</table>

the rest of the world having produced in 1929 14.5 per cent., of which
5.3 per cent. was produced in Siam.
(c) That on the definite conclusion of an agreement between the Governments, representations should be made to the Government of Siam, but that the agreement should not be made dependent upon the consent of the Siamese Government to become a party thereto.

By a supplemental agreement signed by the Bolivian and Netherlands East Indies' representatives and by Sir William Pest and Mr. Howeson, it was agreed that the quota of 49.6 per cent. allotted to the Netherlands East Indies, Bolivia and Nigeria and representing 71,920 tons on the basis of a total world production of 145,000 tons should be apportioned as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Tons.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banka</td>
<td>19,070</td>
</tr>
<tr>
<td>Billiton and Singkep Companies</td>
<td>10,840</td>
</tr>
<tr>
<td>Bolivia</td>
<td>34,290</td>
</tr>
<tr>
<td>Nigeria</td>
<td>7,750</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>71,920</td>
</tr>
</tbody>
</table>

It was further agreed that any increase in the tonnages permitted to be exported will be divided in the above-mentioned proportions.

It was subsequently explained that the Malayan quota of 35.9 per cent. did not include the output of the Unfederated Malay States, the allocation of which was agreed (in a supplemental minute) to be 1.24 per cent., that is, in 1981 on the basis of a world production of 145,000 tons, 1,798 tons, making a total quota from Malaya of 37.14 per cent., that is, 53,853 tons.

A further meeting of representative tin producers organised by the Tin Producers' Association was held in Paris on the 4th December and was attended by Mr. Groothoff, as a delegate from the Netherlands East Indies Government. The following has been supplied as a record of that Meeting:

1. The quotas shall become operative as from the first day of January, 1931, and continue—save as hereinafter provided—for a minimum period of two years. The quotas have been so calculated as to provide in the first instance that the maximum supplies of tin to be made available shall not exceed the monthly equivalent of 145,000 tons per annum, and for this purpose the monthly quotas have been assessed on the annual basis of—
   (a) 53,853 tons for the Federated and Unfederated Malay States, and
   (b) 71,920 tons for Bolivia, the Dutch East Indies and Nigeria, that is, ratably in both cases to the actual agreed outputs in 1929.

2. In order to enforce these respective quotas, the Malayan, Bolivian and Nigerian Governments will introduce the appropriate legislative enactments, and the Dutch East Indian Government will furnish a statutory declaration in form acceptable to the other Governments. The four Governments are hereinafter referred to as the 'interested parties.'

3. A Special International Committee shall be appointed in the form and manner suggested in the Appendix hereto, this Committee to meet at regular intervals to inquire into the general conditions of trade and the tin industry, to report in an advisory capacity and, when necessary, to submit proposals to the Interested Parties.

4. If mutual agreement shall not be reached in the terms of clause 2, and thereafter the 'visible supplies' shall again have exceeded 25,000 tons for more than one month or during the same period the average price of tin shall have fallen below 2100 per ton, then the Committee shall meet to consider a reduction of output. Similarly, should the production be found to be too high after the initial quotas have been in force for a period of three months, then also shall the Committee discuss the desirability of a reduction of output.

5. Any agreed increase in the rate of output shall be apportioned in strict ratio to the quotas set forth in clause 1.

6. Each of the interested parties shall communicate by telegraph at the end of every month to the Secretary of the Special Committee the official figures relating to the tin exported from their respective territories.
8. Any lesser quantity exported than the allowance for the month may be exported during the ensuing three months. Any greater quantity—which, excepting in the case of force majeure—shall not exceed the allowance by more than 10 per cent.—shall be deducted from the allowance for the ensuing two months.

(Signed) "A. GHOOTHOFF.
"P. J. HODWEUT.
"Pu. MARTINEZ VARGAS.
"A. PATINO P.
"JOHN HOWESOX.
"H. WAUGH.
"J. V. DEN BROECK.

Paris, December 4, 1930.

APPENDIX TO THE RECOMMENDATIONS OF THE INTERNATIONAL COMMITTEE MINUTED AT THE MEETING HELD IN PARIS ON DECEMBER 4, 1930.

International Quota Agreement—Appointment of a Special Committee.

1. The Special Committee to consist of Official and non-Official Members.
2. All appointments to the Special Committee to be submitted in writing and to be attested by the respective Government in the case of Official Members nominated by the Governments concerned, and by the Tin Producers' Association in the case of non-Official Members.
3. The Special Committee to appoint a Chairman and two Vice-Chairmen, each of whom shall hold office for six months from the date of appointment, and thereafter shall not be eligible to hold the same office for a period of one year. The first Chairman to be a British Member, and the two first Vice-Chairmen to be respectively Dutch and Bolivian Members. The two first Vice-Chairmen in rotation shall be appointed Chairmen during the second and third half-yearly periods.
4. The Special Committee to appoint a permanent Secretary, who shall be responsible inter alia for the Minutes of all Meetings and for the records of the correspondence exchanged between the Committee and the interested parties.
5. The official language of all Meetings shall be English, but the Minutes and other necessary documents shall, if required, be translated into Spanish and Dutch for the convenience of the Bolivian and Dutch Governments.
6. The Special Committee to be primarily an Advisory body, but its resolutions, if and when accepted by all the interested parties, shall bind those parties.

I consulted the Governments of Nigeria and the Federated Malay States by telegraph on the general aspects of the scheme, and the Acting Governor of Nigeria replied that he considered that Nigeria, which is a comparatively high cost producer, would benefit by restriction. Subject to my being satisfied that Nigeria's quota had been fixed on an equitable basis, he recommended that Nigeria should participate in the scheme. I am satisfied that the quotas are equitable.

As regards Malaya, it appeared that there was a certain amount of local opposition, which may be attributed, at least in part, to the smelters. In order to ascertain the views of the Malayan producers, a circular was issued on the 30th December by the Warden of Mines, and local meetings of producers are being held. The Malayan Government will be prevailed to come in if the bulk of local producers declare in favour of the scheme, and the necessary legislation is meanwhile being prepared. They would have preferred that the scheme should not be retrospective to the 1st January, but it is clearly essential to adhere to that date if the present scheme is to be adopted. The Tin Producers' Association has reported that the Netherlands East Indies and Bolivian Governments have approved the present scheme on the understanding that it comes into force as from the 1st January, and that they confidently anticipate the adherence of Siam. Any interval between the end of the voluntary restriction scheme on the 31st December, and the introduction of the compulsory one would upset the basis on which the compulsory scheme has been calculated. Hence, any ore exported from Malaya from the 1st January onwards must be included in Malaya's quota, even though the necessary legislation to restrict exports to the agreed quota is not yet enacted.

Malaya would also have greatly preferred that the scheme should be one for actual restriction of production, as in the case of the voluntary scheme, instead of merely restriction of exports. While I do not rule out the possibility that the Government representatives who will control the working of the scheme might discuss that suggestion and adopt it if all agree, it appears unlikely that international agreement could be reached on that basis. Exports can be controlled, but control of actual production would be difficult. Moreover, if export is curtailed, it appears improbable that any great number of producers will mine more ore than they are allowed to export, as tin ore is expensive to produce and store, and capital will not be forthcoming to finance local stocks which cannot be exported.

The grounds for advocating a compulsory restriction scheme are as follows: Stocks are still accumulating and the price has fallen to a figure which is not remunerative to most producers. In Malaya, costs of production vary considerably.
but it is estimated by the Malayan Government that the average cost of production by dredging is £115, and that a normal Chinese mine can produce at £200, including depreciation, &c. Over 50 per cent. of the Malayan production is from Chinese mines. The Tin Producers' Association states that it has detailed cost figures of all classes of production other than Chinese, and that only a very small proportion of the dredging output can be obtained at an all-in cost of £115 per ton of metal. Voluntary restriction has failed, and the Dutch, who are the cheapest producers, have rejected voluntary restriction as ineffective, but are prepared to adhere to a compulsory scheme. If restriction is not enforced, over-production will continue, prices may fall still further, and a large number of mines will be forced to close down. The unemployment problem in Malaya, which is already serious, will become acute. The Governments of Malaya and Nigeria have a great financial interest in the continuance of tin-production, on which much of their revenues depend. In the interest of the tin consumers, as well as of producers, it is desirable that some stability of price should be attained, instead of violent fluctuations. The compulsory scheme will cover at least 86 per cent. of the world's production. The Tin Producers' Association claim that it will cover practically 90 per cent. of the world's output, or 60 per cent. if, as is probable, Siam adheres, so it has good prospects of being successful. It is unlikely that producers outside the scheme could increase their production to any serious extent.

A less obvious advantage to this country which would result from an improvement in the price of tin is its effect on the United States Exchange. Of the total Malayan exports of 102,026 tons in 1929, 57,096 tons were destined for the United States, as against only 15,395 tons for the United Kingdom. On the basis of an export to the United States of only 50,000 tons, a fall in the price of tin from £200 to £100 a ton means a decrease in the annual sterling payment by the United States of £5,000,000.

It is not proposed that any expenditure in connection with this restriction scheme should fall upon His Majesty's Government, but the matter is one that should be brought before the Cabinet as it may be represented that the scheme affects the interests of tin consumers here. There is, however, good ground for arguing that in the long run consumers also will benefit from price stability at a reasonable level, instead of fluctuations between £100 and £400 per ton.

No undertaking of approval of the scheme as prepared by the Tin Producers' Association has been given. Until I know that His Majesty's Government is prepared to allow the Governments of Nigeria and Malaya to participate in the scheme, I have felt it would be premature to consider details. I am satisfied that the four Governments concerned. The Tin Producers' Association may appoint some of its members to offer advice and suggestions to the Government representatives, but the fixing of the initial quotas and any subsequent alterations of them in an upward or downward direction must be at the absolute discretion of the representatives of the four Governments concerned. I contemplate that the Dutch and Bolivian Governments should be asked officially to appoint their representatives (the Tin Producers' Association have informed me that the Netherlands East Indies' Government has already appointed Mr. Groothoff as its representative and that the Bolivian Government has appointed Mr. Vargas and Mr. Patino). Then the Government representatives would meet and review the original scheme and the supplementary recommendations resulting from the Paris meeting and agree among themselves on the details of the scheme which they would enforce. If the Governments control the scheme it may be assumed that no attempt will be made to force up the price too high. I understand that the Dutch, as the cheapest producers, have already indicated that they are opposed to the figure of as much as £200 a ton which some members of the Tin Producers' Association had in view. In both Nigeria and the Federated Malay States there is an official majority in the Legislature, so His Majesty's Government could always require the legislation, which will have to be passed limiting the export of tin ore, to be in such terms as it desires.
Accordingly, on the assumption that the Malayan Government accepts the principle of restriction—as to which a definite reply may be expected any day—I recommend that I be authorised to allow Nigeria and Malaya to join a compulsory restriction scheme for the initial period of two years, on the definite understanding that the scheme is controlled by representatives of the four Governments concerned and that I am satisfied as to the details.

Colonial Office, January 9, 1931.