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Fifth International Tin Agreement

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The Fifth International Tin Agreement (ITA) is a continuation of a trade arrangement between international producers and consumers of tin that attempts to control "excessive fluctuations" in both the price and the supply of tin. The administrator of the ITA, the International Tin Council, is composed of all the participating countries, both producers and consumers, which are represented by one delegate each. Every delegate has a prescribed number of votes that is determined by the proportion of the amount of tin produced or consumed by the delegate's country compared to the total amount of tin produced or consumed by the respective group of participating members. The producing and consuming countries both distribute 1,000 votes among themselves and thus have equal representation on the Council. Malaysia is the leading tin producer with 426 votes and the U.S. is the leading tin consumer with 259 votes.

The principal means by which the Council controls the market is by implementation of its "buffer stock" to which every producing nation is required to contribute either tin or cash. The consuming nations are invited to make contributions to the buffer stock, but are not required to do so. A new clause in the Fifth ITA provides for review of this provision by the Council in 2½ years; the implication being that if consuming nations do not sufficiently contribute to the buffer stock they eventually may be obligated to do so.

The ITA allows the Council to determine international "floor and ceiling prices" for tin. Barring any changes by the Council, the Fifth ITA provides that this price range shall remain as it was established by the Fourth ITA. The price range is divided into three areas: upper, middle and lower. The market price is allowed to fluctuate without interference in the middle range. However, if the price of tin reaches into the upper range, the manager of the buffer stock is obliged to "operate" on the market in such a way that he is a "net seller" of tin, thus affecting a decrease in the market price of tin. Conversely, if the price drops into the lower range, the manager is to become a "net buyer" of tin to raise the market price.

The Council also has the power to limit the quantity of tin which may be exported from the producing countries if the world supply of tin exceeds demand. It may impose penalties upon violators of these export controls. Conversely, in the event of a tin shortage, the Council can immediately terminate any export controls and assist producing countries to increase their supplies. The ITA becomes effective on July 1, 1976, provided that by that date at least six producing countries with a minimum of 300 votes have ratified the agreement.