

KLCE open to foreign firms

By HARDEV KAUR

THE government will allow international commodity trading firms to become members of the Kuala Lumpur Commodity Exchange (KLCE) and in conditions relating to their equity structure to hold more than 50 per cent, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"The government is fully aware that a commodity market needs international participation to play its role effectively," he said when re-launching the KLCE and opening its new premises in Kuala Lumpur yesterday.

Dr Mahathir said the government recognises that commodity futures trading plays an important role in the economy and has given the KLCE a soft loan of \$2.2 million for start-up expenditure.

He hoped the financial assistance and incentives

from the government will meet with positive response from the industry toward the creation and development of viable commodities futures trading.

He said with the KLCE, Malaysia is no longer dependent on commodity markets in Europe and the US to sell its commodities.

Dr Mahathir hoped the KLCE will continue to expand and provide facilities not only for local primary commodities but also financial instruments and stock indexes in the long term.

He reminded traders that the exchange is not a "plaything or a casino. It is a vital part of a modern market economy. Dabblers must regard their participation as a serious vocation that requires responsibility and ethical practices."

He drove home the

point that the government will not tolerate any attempt to undermine the market.

The exchange and the clearing house, being in the frontline to protect the integrity of the market, must be prepared to take appropriate action to prevent any undesirable development.

Dr Mahathir warned that the new legislation treats manipulation as a serious criminal offence punishable with a fine and imprisonment.

The exchange and Commodities Trading Commission are endowed with appropriate powers to act against excessive speculation and manipulation of the market.

Dr Mahathir noted that an exchange like the KLCE, however well provided with laws, rules and regulations, cannot itself ensure that the pur-

pose for which it is set up will be fulfilled. There were "too many opportunities and loopholes for the unscrupulous and the irresponsible to take advantage of."

Thus, the proper functioning of an exchange depends on the ethics and good faith of all involved in it. Dr Mahathir said on closer analysis it can be concluded that "what is being traded is really the integrity of the participants. Integrity and good faith are in fact the main capital."

Dr Mahathir said with the establishment of the KLCE in 1980, Malaysia became the first developing country to have a modern commodities market. This is in line with its standing as the largest producer of a number of commodities such as natural rubber, palm oil,

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timber, cocoa and pepper.

With the price of palm oil, the first commodity traded on the KLCE in 1980, fluctuating from a high of \$2,700 to a low of \$630 a tonne there is a need for producers, manufacturers, refiners and traders to hedge and protect themselves against violent price movements. The KLCE, Dr Mahathir said, should provide this facility.

The Asean nations account for about 80 per

cent of the world's production of natural rubber, 60 per cent of tin, 90 per cent of palm oil, 80 per cent of lauric oil, 70 per cent of tropical timber and 45 per cent of pepper in addition to being a major producer of cocoa and other minerals.

All these commodities are largely exported and it is therefore important to have an efficient pricing and marketing system for these commodities.