

PM: Why Govt entered the London tin market

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KUALA LUMPUR, Thurs. — The Government bought tin on the London Metal Exchange to help shore up the price of the commodity and suffered losses only because the LME changed its rules to protect its members, Datuk Seri Dr Mahathir Mohamad said today.

The Prime Minister, in the first public admission that the Government was involved in the operation, said that the action was approved by the Cabinet in 1980.

He also said that it was to

recoup its losses from this operation that the Government became involved in the shares dealings of its wholly-owned company Makuwasa.

"The Government admits that it tried to save the tin industry by entering the market and buying tin," Dr Mahathir said in his presidential address at the Umno general assembly.

"It is true that the Government cannot enter the tin market but the massive cheating in the London Metal Exchange (LME) at that time (in 1981) is what

caused us the losses.

"At that time, a group of LME members deliberately depressed the price of tin to make forward contracts, that is tin to be delivered at a future date and at a lower price than the market price at that time.

"They did not own even a single pound of tin. They hoped that their actions would reduce the purchase of tin at that time, and depress the price.

"Once the price went down, they would buy the tin to be supplied to their customers when the dead-

line of the (future) contract came," he said.

Dr Mahathir said that to stabilise the price, the Government — through a broker registered with the LME, since no Malaysian could buy and sell tin in the LME — bought the future contracts from the LME members.

"Through this method, when the time came for the tin to be delivered to the buyers, the choice facing the LME members gambling in the market would be to buy tin at a higher price from us to fulfil their

forward contracts or not fulfil their promises and face action for breach of contract.

"But the LME cheated by changing the rules of trading when the time came for its members to fulfil the promises. They said that these promises need not be kept. With that, their members were saved and the tin price came crashing down," he said.

The Prime Minister said the Government planned to recoup its losses from this operation by selling the tin it held and through specific

trading activities of its wholly-owned company, Makuwasa.

"Actually, the shares transferred by the Employees Provident Fund to Makuwasa did not belong to the EPF.

"These shares were shares reserved for bumiputras and whose price was lower than the market price. The EPF has never been allocated shares reserved for bumiputras because it is not a recognised bumiputra body.

"However, the allocation to the EPF was made this

time for it to transfer the shares to Makuwasa, with the profits to be obtained by the Government," he said.

Dr Mahathir stressed that nobody in government had profited from the operation.

He said he was aware that the DAP planned to make this "another scandal" and added: "If the DAP has any proof that government leaders or officials are involved in corruption, please lodge a report. If the accusation is baseless, be prepared to accept the reaction."