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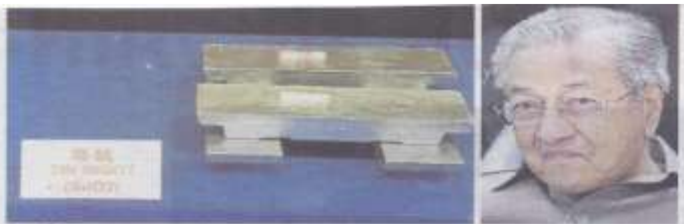

In 1981, Tun Dr Mahathir Mohamad (right) approved a clandestine plan to artificially prop up sagging tin prices. FILE PIX

How Dr M abused EPF money on London tin market

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POLITICAL scientists R.S. Milne and Diane K. Mauzy, in their book *Malaysian politics under Mahathir*, wrote that Malaysia's financial scandals reached almost endemic proportions in the mid-1980s.

They concluded that the episodes might have been generated as a result of a "get-quick-rich" mentality, which might have led to the "pursuit of wealth, untempered by ethics, or even by fear of law".

Even as early as 1981, when Tun Dr Mahathir Mohamad took office as prime minister, some of the country's biggest financial scandals were already brewing.

Milne and Mauzy's observations were largely borne out of several scandals, including the infamous London tin market caper involving our own Employees Provident Fund (EPF) money.

It was a major breach of propriety when the Mahathir administration in the 1980s raided the EPF to fund dubious transactions resulting in the EPF-Makuwasa scandal, causing huge losses to the EPF.

The EPF-Makuwasa scandal came about because the government wanted to recoup the RM600 million losses suffered in a failed attempt to corner the London tin market through shadowy Maminco operations in the early 1980s, which flopped instead.

As we all know, Malaysia was once a leading producer of tin. In 1979, the country produced about 63,000 tonnes, or 31 per cent of the world's output. More than 40,000 people were employed in this sector and it was a major revenue earner to the economy.

In 1981, Dr Mahathir approved a clandestine plan to artificially prop up sagging tin prices. Maminco Sdn Bhd, a RM2 company, was set up to secretly mop up tin to help lift prices of the metal on the London Metal Exchange.

To solely finance its activities, Maminco obtained a RM1.5 billion loan from state-owned Bank Bumiputra Malaysia Bhd.

The Malaysian secret plan helped to push up world tin prices for a spell, but the higher prices also led to increases in tin production and the untimely release of the United States' strategic tin stockpile. Unable to maintain the artificially high prices, the global tin market then collapsed. Maminco became a RM1.5 billion liability overnight.

In order to help recoup its investments and repay the bank loans, money was siphoned out of another RM2 company called Makuwasa Securities Sdn Bhd, also a shadowy company.

Newly-issued shares reserved for Bumiputeras and allocated to the EPF were discreetly channelled to Makuwasa at par value. The cheap shares were then sold at market prices for a profit.

On Sept 18, 1986, Dr Mahathir was forced to admit that Makuwasa was created to help plug the losses accrued by Maminco in order to repay the bank loans. In his memoirs, however, Dr Mahathir called it a "debacle" and admitted to a "mistake we made in the management of the country's finances".

But the cost to the country's reputation was equally huge, after having repeatedly trying to conceal the truth.

The then primary industries minister, Datuk Seri Lim Keng Yaik, said Maminco had ended up about RM660.5 million in the red, including actual trading losses.

Gone are the days when EPF funds were used to bail out troubled companies. There is a strict governance now on how and where the EPF invests its funds.

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A veteran newsman, Jalil believes that a good journalist should be curious and sceptical at the same time