The Secretary-General: We would like the international community to know what we are doing and we would especially like the consumers to know exactly the aims and the objectives of the Association. We were criticized in the beginning for to trying to start a cartel. Some consuming countries as well as some producer exporting countries had such unfounded fears. Our profile comes from the fact that we do not deal in spectacular measures, we do not participate in the market, we do not intervene, we do not try to have a production sharing system. Our work is a little more quiet, it is related mainly to information, the gathering of data. Our statistics are very well known within the industry. Unless you are in the business the kind of work that we undertake does not call for the attention of the general public. This low profile is not intended, it is just that our work is a little more in depth and that we do not take the spectacular measures that call the public attention.

In this perspective we are particularly grateful that Raw Materials Report has given us the opportunity to explain the situation of APEF. It is in fact through publications like yours, which are read by people interested in raw materials and commodities, that we would like the Association to be more known.

RMR: Mr Secretary-General, half a year has now passed since the first part of our interview was made. What have been the most important developments in the iron ore industry during this period? Specifically, what were the main achievments of the recent UNCTAD and APEF meetings?

The Secretary-General: The most recent UNCTAD and APEF meetings, held in October 1986 with a wide participation of governmental and industry experts, strongly confirmed our belief that there is a need for and a great interest in a regular dialogue between the iron ore producers and consumers. ■

BOOK REVIEW

Bankers, brokers and jokers: metal men and the tin crisis

Metal Men: Marc Rich and the 10-Billion Dollar Scam by Craig Copetas. First published New York 1985. Published in London by Harrup, 8.95 GBP, 223 pp.

Is it possible to be a metals trader and a honest man? Recent events in the international tin markets suggest a guarded and qualified 'yes'. However, Craig Copetas, in *Metal Men: Marc Rich and the 10-Billion Dollar Scam,* seems to give a very definite and unqualified 'no'. In this book the author lays bare the innermost secrets of the metals trading fraternity as they emerge from their bases in London, New York and Zug. In particular he traces the career of Marc Rich from childhood migration to the USA up to his present grey emminence as 'the most wanted white collar criminal in America'.

Billed as 'a compelling account of international intrigue and power' the book has had considerable hype and some rave notices. The back cover is sprinkled with plaudits, including one from *Wall Street Journal.* It's US publication was rated 'one of the ten best books' of 1985 by *Business Week.* The British edition was even appreciated by the London alternative magazine *Time Out.* The tale of wheeling and double dealing, of money, violence, drugs and casual sex clearly pleases all parties. It apparently matches up with the view the business world has of itself whilst confirming all the Left's suspicions about capitalism. Delightful frissons all round.

It seems churlish to strike a discordant note. Nonetheless, this book is more than just a titallating way of passing the time in-flight between Kennedy and Zurich Floten. It claims to be a factual account. The Truth. It is not lightly disguised 'faction' in the genre of *The Crash of 79.* From behind a truely terrible prose style the author claims to speak with authority. Thus the work must be taken seriously.

Shorn of hyperbole the basic premise goes like this. Marc Rich, after rising to a favoured position with traders Philipp Brothers, left, in order to make more money than that firm was willing to pay. This desire made him willing to trade with absolutely anybody, especially if, in the process he took business away from Philipp Brothers.

Much of his business was oil and from the mid 1970s he benefitted from post-OPEC scarcity, trading with Nigeria, with the Shah of Iran and subsequently with the Ayatollah Khomeni. He encouraged his traders to indulge in bribery and in the corruption both of their clients and themselves. A generation of traders grew up, not soley working for Rich, whose *modus operandi* this became. These were known as the 'Heavy Metal Kids'. Finally Rich came a cropper with the United States Justice Department consequent upon some oil deals. He avoided retribution, however, at the cost of some 340 M USD, with possible losses closer to 1 G USD.

The story is told almost entirely in terms of personalties, — Ludwig Jesselson of Philipp Brothers; Pinky Green, Rich's Kosher sidekick; Edmond Mantell, the old China hand; Robbie Lichtenstern the 'most popular' Heavy Metal Kid; Sandy Weinberg the Federal Prosecutor . . . and of course Rich himself. Here, the author's attempted interview was not successful. When accosted in a Zug pizzeria, Rich turned tail and fled through the washroom window

. . . 'leaving his blue cashmere overcoat, a Florentine leather briefcase and an unfinished lunch of capellini d'angelo and filetto al pomodore on the table with Pinky Green'. This makes proceedings a bit like Hamlet without the Prince.

This focus on personalities prevents the author from developing a framework within which to locate events. He simply tells it as it is without any attempt at discussion or analysis. This approach has its drawbacks. For example, Mr Copetas makes heavy going of his subject's childhood; Rich was a mediocre scholar, an unenthusiastic Boy Scout; the family were self-contained and quiet to the point of anonymity, when they moved from Kansas to New York they did not even join the Bronx Chamber of Commerce. Yet apart from some remarks about the closed world of Northern European Jewry, the author makes no attempt to consider whether there might be links between repressed childhood and later behaviour, let alone whether the highly conformist world of Middle America might have been a deeply hostile environment for a European only child who spoke three languages. Similary he seems unable to decide on the underlying causes for Rich's later break with Philipp Brothers. Did it spring from a Freudian desire to slay Jesselson, his symbolic father? Or was it simply an Adlerian style lust for power? We are thus denied further insights, into why, for example, Rich had such simple recruitment criteria. Nothing was needed apparently, to become an international trader save an ability to do mental arithmetic and the possession of 'tomatoes' — or testicles as they are more usually termed. This is a pity, not least since later on a lot of tomatoes got pureed.

The lack of Rich's co-operation, however, does allow almost every crime in the book to be laid at his door. All in the name of business, you understand. Deals are done with the Saudis which provide oil to sell to Israel. Arms are sent from Thailand to Iran even whilst US citizens are held hostage. The Soviets are in it of course (although they seem quite capable of dealing on their own behalf). The only regime Rich does not seem to have dealt with was Pol Pot. There is one very funny passage which describes the Exxon Texans reluctantly going to trade with the representative of the new marxist regime in Angola — who turn out to be Pinky Green. Bribes, referred to as 'chocolates' abound. The million chocolates paid to Dr Diko to restore a cancelled Nigerian contract (the oil was found to be going to South Africa) helps explain the later Nigerian government's desire to put Diko in a packing case.

Mr Copetas has certainly worked hard for his material. He spent a year working as a commodities trader. He flew — to London, to Bangkok, to Zug — hither and yon in pursuit of his story. He interviewed some two hundred people. This makes it the more important to ask if his accounts is really a true one and what are the implications if it is? The world he presents is pretty disgusting. He himself offers no critique nor criticism beyond the Shock! Horror! variety. Nonetheless it invites criticism, not simply from moral outrage — after all, the world is full of nasty, corrupt and greedy people, not all of them metals traders, but from a more pragmatic perspective. One must ask, if this is true, is it really the most effective and efficient way of doing business? A question that more recent events in tin serves to re-inforce.

Furthermore, are Rich and the Heavy Metal Kids *really* the best the West has to offer developing nations that posses primary commodities? Mr Copetas makes much of the corruption of these nations, but seems not to notice the corrupt behaviour of the all-American firms he describes. Nevermind that between 1975 and 1983 some 20 per cent of Nigerian oil revenues was lost through fraud. The author implies that it was 'sleezy Nigerian politicians' who alone nutured their country's 24 G USD debt. All those chocolates simply fell from the sky. Similary, . . . the Iranians were corrupt as hell . . . paying them off has been the only way to do business there for 5 000 years'. There is no acknowledgement that the overthrow of the Shah might have been a response to such corruption since the willingness of the Ayatollah and his 'gang of Shi'ite thugs' to deal oil for arms indicated that it was business as usual.

It is when Mr Copetas turns his attention to the East that he really looses his grip. Bangkok, he says, is a 'mysteriously opaque city where *nagas* and *garudas* . . . displace the Western notions of reality'. His certainly seems displaced. His Bangkok information is not quite in focus. Edmond Mantell's murder, for example, is vaguely blamed on Rioch although given Mantell's long and shady career this seems unlikely. He happened to be working for Rich when he died, but sooner or later someone would have caught up with him. Arms dealings are mentioned, but the Vietnam gold deal not at all.

The Malaysian squeeze on the tin market in 1981—82 suffers similar displacement. The International Tin Council, that once delicately balanced consumers and producers association, gets written off as a 'sort of tin pot OPEC'. Well, maybe. Rich apparently hired David Zaidner the prime mover, because of the latter's expertise in tin smuggling? No doubt. Rich did not at first know that Zaidner planned to stockpile tin, a move supported by both the Malaysian Prime Minister and Finance together suggested that, underpinned by tin, the Malaysian ringitt could become a reserve currency; who played upon Malaysian anger at the effect of US stockpile sales: who indicated opportunities for considerable personal gain. There are even those who say another Finance minister should also be mentioned. What is certain is that Rich sold out before the final crash, leaving Malaysia with an overhang equivalent to one years production and about 2 G USD debts. Even more certain is that the whole affaire left the tin industry with massive problems that speeded the ITC collapse.

All these jolly japes were soon to be curtailed as the US cavalry hoved over the hill. Federal Prosecutor Sandy Weinberg arrived like the Caped Crusader to save Gotham City from the depredations of the Penguin. At this point Mr Copetas tries to have it both ways. After squirming with delight at Rich's 'dare deviltry' (sic), he tut tuts piously as attempts are made to bring the man to book. He dramatically recounts the anxiety that grew as details came out. The traders who travelled to the 1983 London Metal Exchange Annual Dinner, apparently 'radiated the tawney hues of fear'. However, given what he had already said of the gross excess that usually occured at the LME dinner, it seems more likely that traders radiated the flushed complexions and halitosis of overindulgence. By this point in the book, Marc Rich's exit through the window looks like a pretty shrewd move.

With so much material to hand *Metal Men* must count as a massively missed opportunity. It does little to help the understanding of complex events. It's ethnocentricity is shot through with racism. As one Malaysian reviewer noted, it is a naive book. It is also a sexist one. Apart from Mrs Rich (an apparently arranged marriage, but never mind, they were 'very much in love'), the only women who appear are hookers, high class hookers perhaps but sex objects nonetheless. There is absolutely no sense of history, of Rich being the product of particular circumstances, of the demand for commodities in the 1970s or of the new international trading situation post OPEC.

Rich is not the first, nor the only robber baron of course. Nor is he the first to trade with the enemy or to try to corner a market, nor the first to try to maintain artificially high prices. There are numerous examples such as the continuing involvement of Metallgesellschaft with British firms during the 1914—18 war, an involvement that brought accusations of trading with the enemy and a government enquiry. Then there was the Patino/Anglo Oriental control of tin production and smelting in the 1920s. The Chairman of Anglo-Oriental, John Howeson was prime mover in forming the Tin Producers Association in 1929. He subsequently played a major part in the setting up of the first International Tin Committee in 1931, successfully pursuading the British Colonial Office to pressurise the reluctant government of the, then, Federated Malay States into joining. Throughout the early 1930s, whilst the ITC imposed production controls on its members, Anglo-Oriental kept a secret stockpile of tin. This, of course, had some effect upon price and supply. Howeson himself was jailed for fraud in 1936 following an unsuccessful attempt to corner the paper market. *Plus ca change* . . . What Mr Copetas' book does do, however, is suggest that deal focused tunnel vision, underpinned by moral bankruptcy, is truely the operative characteristic of metal men.

Which brings us to the Tin crash of 1985, an event long forseen, extremely costly and apparantly unstoppable. Bankers and brokers are left holding warrants for tin now worth a fraction of the purchase price. The tin metal is piled high in the smelter's compounds since they haven't been paid either. The air is thick with flying writs. As the various actions come to court, lawyers are almost beginning to outnumber participants. The International Tin Agreements are in ruins. The tin industry has experienced a global shakeout. It is all very painful.

Avid readers of *Metal Men* might be forgiven for deciding the whole affair was a put up job. Yet another daring ploy either by Rich or one of his ilk. Quite a plausible case could be mounted. By mid 1985 brokers were gambling on if and when the ITC would go bust. Phibro, the LME trding arm of Philipp Brothers, had given up dealing in tin a year previously in anticipation of the crash. And think of all those back-to-back deals that were made once trading was suspended from October 24th. Think also, perhaps, of the long term gains for anyone able to buy at rock bottom and hold on till prices improved. The price fell from average 9 500 GBP/t prior to suspension to average 4 500 GBP/t in 1986. Some analysts were predicting that it would have risen again to pre-crash levels by 1989. Thus in three years the intrepid marketeers could make a killing. Some producers have indeed been approached by people seeking to take up positions. Supporters of conspiracy theory therefore can murmur 'What a sweet deal' and sit back and wait for events to prove them right.

Those, like myself, who tend to support the 'cock-up' rather than the conspiracy theory of history may disagree, but we too can draw upon Mr Copetas' work to support our argument. The 'deal-focused tunnel vision' he characterizes was (and possibly still is) present on the London Metal Exchange and helped to determine the course of events both before and after suspension. Many people apparently *did* think of the ITC as a 'sort of tinpot OPEC', that operated soley for the benefit of producers. This led to them ignoring the real tensions within the ITC whilst blaming the producers for soley keeping prices up. Thus they failed to grasp either the nature or extent of producer disenchantment. The expectation, after suspension of trading, that the ITC would promptly sort out its affais and settle up so that everyone could get back to the business of making money, suggests tunnel vision of near blindness.

There had always been a degree of misunderstanding and distrust between the LME and the ITC. This was hardly suprising. The Exchange, founded in the 19th century and still run in the same way had differing aims and objectives to an intergovernmental organization founded in order to intervene in the market. The Rich/Malaysia squeeze had brought open animosity. Relations severely deteriorated in 1985 when the LME suspended trading and reduced backwardation after speculation pushed the price of tin up to 10 300 GBP/t in June. Producer members of the ITC reacted angrily claiming that the LME was in effect a consumers ramp. What had previously been close, if not cordial, co-existence now became antagonism. This antagonism continued to be clearly expressed in comments by the LME Board after the October collapse. At one point in LME/ITC discussions apparently, a senior memeber of the LME Board is said to have declared that the LME was a British institution that was not going to take orders from a group of ex-colonies. Well, tempers do sometimes get frayed during negotiations, but a revealing remark nonetheless.

Bias and hositility, however, do not necessarily mean dishonesty. Those traders who scrambled for the ITC Buffer Stock Manager's business knowing he was in financial difficulties were not acting crookedly on the Copetas model. Some brokers sold tin to the BSM and then lent him money to buy more. This was not dishonest, but it was a gamble. In the event it was a gamble they lost. All commodities trading is gambling to a greater or lesser extent of course. The aggressive desire to get into the ring and pull one over rivals seems an important part of any dealers's self-concept and one that is quite openly expressed, not only to Mr Copetas. Subseuqnt recriminations suggest, however, that the ITC gamble was considered copper bottomed as it was backed by sovereign governments. This seems a rather like having one's cake and eating it too even when the size of the loss commands sympathy.

Perhaps more sympathy should go to the banks, institutions not usually noted for their gambling tendencies, nor for taking on complex and risky deals. Indeed, two of the largest creditor banks are Malaysian and may well have considered they were acting in the national interest by lending to the BSM. It is interesting to note, in the light of the criticisms levelled at the Bank of England by the British Parliamentary Select committee on Trade and Industry[1], that the Malaysian government and the Bank Negara did not apparently know that major Malaysian banks had been lending to the ITC. Once they discovered this, Malaysia's enthusiasm for the rescue proposals increased dramatically. This was to no avail of course, since the proposals were torpedoed by Indonesia, for reasons more to do with falling oil prices than with tin.

The ITC collapsed because, in the end, its members were no longer interested in saving it. Both producer and consumer members, for different reasons, felt it no longer served their interests. Most would have gone along with a rescue whilst not striving officiously to keept the thing alive, but when the rescue failed few seemed to repine. This lack of enthusiasm for the world's longest running commodity agreement became clearer and clearer over the years of the 6th International Tin Agreement, which itself had almost not come into being at all. Deal-focussed traders either did not see this or failed, through tunnel vision to give it sufficient weight. Ironically, the LME has now instituted reforms, notably a central clearing house, to prevent any such debacle in the future.

A reading of *Metal Men* provides some clues for understanding the tin crash of -85. It also suggests that most traders are, at bottom, sentimental chaps with hearts of gold. Marc Rich, it implies, is the joker in the pack. For this reviewer, the case remains unproven. In the long run it is economic trends rather than individual personalities crooked or otherwise that determine events. In the short run, Marc Rich's impact needs no sensationalizing. He, and the metal men need a better book.

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