BOOK REVIEW

Ralph to the Rescue

Ralph Kestenbaum: **The Tin Men – A Chronicle of Crisis**. Metal Bulletin Books Ltd, 1991. £25

Reviewed by Gill Burke

When the International Tin Council (ITC) ceased its market support operations in October 1985, thirty or so banking, broking and metals trading companies were left with debts of several millions. During the following years these companies, separately and jointly, tried a variety ways to recoup their losses from the ITC Member Countries. Finally, a negotiated settlement was reached and in March 1990 a payment of some £180+ million was made.

This book charts these events. The author was actively involved: as a creditor (through his company, Gerald Metals); as spokesman for the group of thirteen metals trading creditor companies; as co-negotiator of the joint creditors group, as father of the still-born NEWCO (the limited liability company initially proposed to take over the ITC debts and tin stocks); and finally, as leading member of the group that negotiated the settlement and payout. Thus, the reader's expectations are raised by the promise of a chronicle "straight from the horse's mouth", of a really informed insider's view.

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But if, as a consequence, the reader hopes for a thoughtful analysis of causes or actions, or for a contextualising of events within an economic or political framework, then he or she will be disappointed. The book is interesting not for what it says, and certainly not for how it says it but for what it reveals about the mindset of the author and his fellow traders. Of similar interest is the revelation (noted but undiscussed) of the yawning communications gulf that exists between the worlds of commerce and government.

The book opens in 1985 with Mr Kestenbaum at a party in Zurich. Bored, he wandered over to the Reuters monitor to check forex movements and metals closing prices, then "suddenly chanced" across the news that the London Metal Exchange (LME) had suspended tin trading. Since his London brokerage office had ITC tin contracts, one might have expected him to have been notified rather sooner, but it was not until the following day when he rang London himself did he "begin to get an inkling of the huge potential economic disaster that threatened..."

Following this introduction come three chapters discussing the role of the United Nations in commodity stabilisation agreements, giving some background to the formation of the ITC and charting the events leading to the October '85 crisis. Then a chapter on the event itself and the responses of the various protagonists as they began to grasp the full implications. The remaining chapters deal chronologically with the attempts to recoup and gain redress: the various court-cases, the NEWCO attempt, the LME 'ringout' and on to the final settlement. In these we follow the author from meeting to meeting to meeting: at the Bank of England, Standard Chartered Bank, the LME, the British Department of Trade and Industry (DTI) and other parts of Her Majesty's Government (HMG), Hambros Bank, the ITC Headquarters; then to Ottowa, New York and Tokyo and back again to London. By the end the reader may still not be quite clear as to who exactly did what to whom, but will surely admire their stamina whilst they were doing it.

It must be said that the second part of the book is far better written than the first. Once the author gets to dealing with events in which he was personally involved his prose style tightens. His habit of jollying up his text with asides ("to quote a well known saying..."; "as the old adage has it..."; "to disprove an axiom...") lessens, and the narrative developes a momentum. This is a great improvement as the earlier chapters are a mish-mash of half-baked history, over simplification and subjectivity.

This reviewer does not wish to appear ungrateful. Given that many metals traders have a time horizon of about one nanasecond it is a bonus to have any scene-setting background at all. Neither does one expect the author to have the tools of historical analysis at his finger tips nor to have necessarily read scholarly work in what he might feel are dreary economic texts[1] or arcane journals[2]. But one does wish there were signs that he had read something more than the 'exactly seventy-two documents' on the Tin Agreements in the UN Geneva Library to which he refers, plus a sprinkling of the British and North American press.

In fact, far from reading up on assessments of the ITC, Mr Kestenbaum goes so far as to state:

"No really neutral attempt has ever been made as to whether these attempts to negate the effects of economic pressures on supply and demand and thus on prices were really efficient or even successful."

One wonders if this is a cunning strategic ploy since, by effectively consigning most commentators to the trash-can of 'non-neutrality' he can thus be spared the trouble of reading them? One wonders how he defines 'neutrality'? And in any case, how 'neutral' is Mr Kestenbaum? I have written elsewhere[3] that the tensions between the protagonists involved in the various Tin Agreements could usefully be seen as a war of competing capitals. In this analogy, extractive, manufacturing and finance capital are the warring factions. Mr Kestenbaum's is the voice of finance capital. But he should not necessarily be assigned to the trash-can on that account. One would not expect a metals trader to write sympathetically of attempts to control price fluctuations any more than one would expect poems praising peace from Atilla the Hun.

From his book, it appears Mr Kestenbaum is extremely prejudiced against civil servants and government bureaucrats in general but especially against developing country bureaucrats. For example, having discussed the Bandoeng Pool of the 1920s and the establishing of the first ITC in the 1930s, he points out that in 1920 the world tin price was £148/t and in 1939 it was £249:

"If a politician or civil servant in charge of the economy of a tin producing country in the postwar era took one look at this, there is no doubt that he would immediately jump aboard a bandwaggon in support of a similar scheme".

No mention is made of the role of the United States, whose shift in 1954 from outright hostility to any form of commodity agreement to a position of 'benevolent neutrality' made it possible for the postwar ITC to come into being. Nor of the geopolitical considerations that prompted this positional shift. No, the postwar ITC is simply a bandwaggon for tin producers.

Later, discussing changes at the UN Tin Conferences as Producer Member Countries gained their independence, he speculates whether when the flag changed the delegate remained the same:

"Did he maintain his interest in the better hotels and restuarants in Geneva or London or New York? Or was he left sitting at home reminiscing on the good old days?"

Three main convictions permeate the text. Firstly, that all international civil servants were soley interested in self-serving, in getting their trotters in the trough; secondly, that all politicians were motivated by similar greed plus political expediency and thirdly, that protracted negotiation and discussion are ipso facto bad things. These appear to have hampered Mr Kestenbaum both in his understanding of the events of 1985 and in his subsequent actions.

Such convictions make for an underlying double-standard throughout the book since, surely, what is sauce for the goose should also be sauce for the gander? Thus for Producer Country delegates to like good hotels is bad, but for Mr Kestenbaum to fly First Class (he tells us his seat number was 3A) is OK. When the ITC sets up Sub-Committees, the action is criticised, but not when the Creditors group does so. For a Commodity Agreement to disrupt the Laws of Supply and Demand is bad, but when fervent supporters of the free market get badly burned they should be rescued. In fairness to Mr Kestenbaum, he does acknowledge that some members of the LME felt no rescue should take place:

"Their attitude was certainly coloured by the feeling that it was the stupidity and lack of foresight by those who had concluded business with the ITC that had brought about this sorry situation, and thus it was strictly up to them, and them alone, to solve the problem. In a normal laissez-faire marketplace where survival of the fittest is the dogma, this attitude would prevail. Reopen the market and let the chips fall as they may.

Although the dissension within the LME is well covered, and indeed provides some firm information on previous suppositions based on the Shearson court case, the double standard wins the day. In their enthusiasm to deal with the Buffer Stock Manager, the creditors may have misjudged the situation, but never mind.

The justification for the various rescue ploys is presented in some depth as the 'Armageddon Theory'. Briefly put, this charts the consequences that would have followed had the LME resumed trading without a ringout and without the ITC having funds to repay its borrowings. The knock-on effect of Dealers selling tin to mitigate losses; the markets moving against firms unloading their unwanted positions; the resulting liquidations, all would have lead to the end of civilisation as we know it, or, as the author frankly puts it:

"The entire existence of the LME and all its members will be very seriously at risk... Should this happen the Commodity Markets in London will never recover and the default on industries and other companies home and abroad will be tainted for all time in all forms of financial and commercial dealing."

Later on, Mr Kestenbaum discovers that other European countries, particularly Germany, don't much care whether London ceases to be the financial capital of the world and thus are in no particular hurry to come to its rescue. That this discovery shocks him says much.

Indeed, the whole account of the LME response to the Armageddon Theory, particularly of the response by the Board under the Chairmanship of Jacques Lion, confirms the existence of traders' tunnel vision mentioned by this reviewer in an article in this journal some years ago[4]. And there really is something rather touching about such a naively centred world view – or there would be in less distressing circumstances. Even the much travelled Mr Kestenbaum, styled on the dustjacket as 'citizen of the UK but inhabitant of one world' suffers from it to some extent.

As a consequnce, much effort was put into persuading the perfidious Europeans (that's them foreign Europeans not us British Europeans, after all HMG came up with an offer of £50 million cash...) to go along with the NEWCO rescue plan – a plan which was scuppered at the last moment by Indonesia. The Creditors group had (naively?) assumed that the Producers stood to gain the most from the price maintainence implicit in NEWCO and so would support the proposals. They had also been assured by the Thai delegate that "Indonesia will not stand in the way". In other words they had seen the Producers as a homogeneous, united group. But the major producers, Malaysia, Indonesia, Thailand, could in this instance only be said to be united on two matters: their hostility to the proposed export controls, and to the potential candidate for Manager of the new company. All this was compounded, as a Canadian delegate pointed out, by the Creditors ignoring the:

"...difficulties of getting Governments to come to an agreement, especially 22 Governments; they are used to negotiations which do not go anywhere, whereas commercial negotiation is very different."

Indeed this expectation that somehow the ITC member governments should or would behave 'commercially' and quickly do the right thing, dogs the Creditors right up until the 1990 settlement. They (as personified by the author) simply cannot seem to grasp that they are dealing with people for whom time is not money. Maybe the idea is simply too shocking.

Where Mr Kestenbaum and this reviewer agree is in criticising the behaviour of ITC Consumer Member Countries in the run up to the collapse. If, as he suggests, some indication of the perilous situation could be got from the officially announced cost of borrowing of over £36 million annually and from the annual turnover of Buffer Stock of 528 640/t in 1983/84 and 747 760/t in 1984/85– why did they not take action? HMG, as we know, was taking a political rather than an economic stance – but Germany? Japan? Holland? All had specialist advisers who understood the intricacies of trading and the working of the markets even if the delegates did not. In the British case, according to Mr Kestenbaum, Jacques Lion as one of these advisers strongly believed that:

"had he even informally spread the word, this, of itself, would have brought the Buffer Stock scheme crashing down."

It would be interesting to learn if this view was shared by, say, the German adviser from Metallgesellschaft, or the Dutch one from Billiton.

The book ends 'not with a bang but a whimper'. There is no mention of the brief but dramatic rise in world tin price during 1989, nor of the LME reopening tin trading in May that year. Instead, the focus is on the to-ings and fro-ings to reach the 1990 settlement. The £180+ million paid was way below the Creditors actual losses, although estimates of these losses themselves vary considerably throughout the book. The final estimate, including interest was put at £512 million. This in turn was way below the figure of £900 million trumpeted on the dustjacket as 'one of the world's biggest ever commercial defaults'. Most of the Creditors did indeed get very little of their money back. Were they vindicated in principle? Hard to tell.

Despite its 182 pages of text, 'The Tin Men' is a slim book. It includes a Glossary of metals trading terms which – since the book is clearly aimed at the Metals Bulletin readership, seems superfluous. More useful would be a detailed list of Dramatis Personae. Since the saga has a cast of thousands, including brief appearences from Henry Kissinger and US Secretary William Rogers, an appendix that did no more than put names to categories – bankers, brokers, civil servants, delegates, lawyers etc. would have been very helpful. There is evidence of insufficiently rigourous editing in the numerous typographical errors and slipshod mistakes: for example, Malaysian Mining Corporation is referred to as Malaysian Metals Corporation, and one Malaysian delegate is mentioned simply as Mohammad. Nor is it well bound, the pages came loose on the review copy at first reading. At £25 it is expensive and only a partial few will find it value for money but presumably Mr Kestenbaum is not intending to make up for his tin losses through the royalities.

[1] The most significant of which is William L. Baldwin *The World Tin Market: political pricing and economic competition* (Duke University Press) 1983. Professor Baldwin devotes considerable attention to examining supply, demand, price and output including an analysis of the Wharton Business School model of the world tin economy. He concludes "the performance of the world tin industry is shaped by workable competition, notwithstanding sixty years of political pricing."

[2] For example Gordon W Smith and George R. Schink, The International Tin Agreement: a reassessment, *Economic Journal* 86, 3, 44 (1976), and John Hillman, Malaya and the International Tin Cartel, *Modern Asian Studies* 22, 2 (1988).

[3] Gill Burke *The Rise and Fall of the International Tin Agreements* in Jomo (Ed) Undermining Tin: the decline of Malaysian pre-eminence (University of Sydney, Transnational Corporations Research Project), 1990.

[4] Gill Burke, Bankers, Brokers and Jokers: metal men and the tin crisis, *Raw Materials Report*, Vol 5, No 2, 1987. ■

Gulliver File

Roger Moody: **The Gulliver File** Minewatch, London and World Information Service on Energy (WISE), Glen-Alpin, Australia, 1992. 254BD

Reviewed by Miles Goldstick

"The Gulliver File" is a landmark book authored by Roger Moody and published by Minewatch, London, England and the World Information Service on Energy (WISE) Glen-Aplin, Australia. The five cm thick, 894 page volume is a compendium of information on mining companies. The information is descriptive as well as critical and covers details on company ownership. The documentation is global in perspective, making the book a source of information on mining activities in both the North and South.

Minewatch was set up in 1989 to work with Indigenous people trying to make their own decisions on mining issues. Minewatch is neither uncritically anti-mining nor pro-Green. For example, a position taken is that small-scale mining may be acceptable in some circumstances. Membership is made up of about 100 non-governmental organisations from Alaska to Zaïre.

WISE was set up by safe energy activists in 1978 to function as an international switchboard for local and national safe energy groups around the world who want to exchange information and support each other. WISE has information relays in 12 countries and a worldwide network of contacts.

"The Gulliver File" started in the late 1970's as a project to document the corporate links between uranium mining companies. The project then expanded to critically examine any major mining operation with an impact on Indigenous people, though keeping close scrutinization of the uranium industry.

The book is not meant to be read from cover to cover, nor only for looking up a single company profile. Rather, it is designed as a reference on corporate connections. The introduction states: "It is hoped that readers will make links between various corporate endeavours, and see for themselves how certain trade practices (transfer pricing, locating in offshore tax havens, manipulating foreign currency exchanges, repatriation of tax-free profits, employing non-union or 'migrant' labour, etc.) bring riches to multinationals at the expense of the rest of us."

Corporate connections are easily traced using the indexes and many company organisation charts, which give an overview of ownership percentages and structures. Individual profiles, ranging in length from a few lines to over 30 pages, are given of 672 companies, though about 2500 additional companies are listed in the 54 page company index. As well, a total of 201 countries and geographical regions are given in a separate geographical index. The profiles are footnoted and have individual lists of references, sometimes several pages in length.

A word of caution: trying to use the indexes without reading the "How to find your way around" section (pages 15-18) could be confusing and frustrating. The numbers listed on either side of index entries do not refer to page numbers but to company profile entry numbers (assigned, with a few exceptions, according to alphabetical order).

The book's introduction includes a discussion of the concept of "sustainable mining." It reads: "The truth is that 'sustainability' implies something quite different for those at the sharp end of the bulldozer than it does for those in the driving seat. The scraping of topsoil, or removal of forest cover, can irreplaceably interrupt agricultural cycles; test drilling can interfere with precious aquifers; road building and site construction drives away game – and all this even before mining starts."

The blame for problems created by mining is put squarely on modern industrial society, particularly in the North. The author uses uranium as an example, noting that it is a "worse case". He writes: "Uranium has been exploited primarily on Indigenous lands such as he Four Corners of the USA, Australia's Arnhemland, the Aïr region of Niger, or the lakes and forests of northern Saskachewan. Yet the actual land-holders (or custodians, as many prefer to be called) have often received nothing in exchange for the loss of soil and sub-soil resources, have never benefited from the electricity derived from the uranium, and have sometimes been at the receiving end of the worst consequences of nuclear power: tailings piles in New Mexico emitting radon 'daughters' for hundreds of thousands of years to come, and nuclear test sites at Maralinga, South Australia, becoming uninhabitable for Aboriginal people... the primary role in deciding where, what, and how, to mine, must lie with those on whose land the minerals are to be found."

Much to the author's credit, he discusses the book's weaknesses and inadequacies, e.g. reliance on mining companies as sources of information, that the dynamics of corporate take-overs makes it difficult to keep up-to-date, and units of measurement are not always clear. Included is a specialised 14 page glossary, that devotes about one and a half pages to the entry "multinational company/corporation".

"The Gulliver File" is not only a masterpiece. It is also an example of the high quality work that can be done by dedicated, persistent people despite the constraints of a low budget. That the author has worked under such constraints is no doubt a main reason the book is offered free of charge (on application) to Indigenous peoples' and Third World organisations. Otherwise, the price is £25, plus £7 postage in Europe and £16 postage anywhere else.

"The Gulliver File" is available from:

Minewatch, 218 Liverpool Road, London N1 1LE, England. Tel. 44-71-609 1852. Fax: 44-71-700-6189. ■