

Italy's Cuccia pulls off a coup

by Claudio Celani

In the first ten days of September, two events demonstrated that real power in Italy is less than ever in constitutional bodies such as government or Parliament, but in restricted oligarchical centers which are represented by one man and his institution: Enrico Cuccia and Mediobanca.

On Sept. 1, it was announced that the second largest Italian private industrial group was born, through the merging of the former Ferruzzi agro-industrial business with the chemical corporation belonging to the Agnelli family, under Gemina, a holding company controlled by an alliance formed by FIAT owner Gianni Agnelli, Bergamo financier Giam-piero Pesenti, and Mediobanca chairman Enrico Cuccia. The new conglomerate has a turnover of \$25 billion (\$30 billion, if the insurance sector is added) and has a monopoly over the Italian chemical sector. It is Italy's second largest industrial group, with activities ranging from the agro-industrial (Eridania) to cement (Calcestruzzi), from chemical (Montedison) to insurance (Fondiarria). It also controls two major newspapers: *Corriere della Sera* and *Il Messaggero*.

One week later, on Sept. 7, internationally known financier Carlo De Benedetti, a friend of the mega-speculator George Soros, announced that, due to losses for four years in a row, he would push through a "reorganization" of his group (including computer-maker Olivetti and holding companies CIR and Cofide) under the direction of . . . Enrico Cuccia. After the announcement, Olivetti, CIR, and Cofide shares lost more than 8% on the Milan stock exchange. Ironically, De Benedetti has been, through his media such as the weekly *L'Espresso* and the daily *La Repubblica*, leading the campaign for privatizations, with the argument that State-owned companies were mismanaged and only produced debt.

The two events are symptomatic in more than one respect. First of all, in both cases they represent the bailout of two major corporations bankrupted (or nearly so) by a combination of the international economic collapse and losses on operations in the derivatives market. For both companies, the "reorganization" means a loss of jobs: 5,000 announced for Olivetti, and an unknown number for the Gemina conglomerate.

But the most interesting aspect is that contrary to the usual situation for bailouts of such dimensions (Ferruzzi employed 40,000 workers, Olivetti 33,000), government

authority has played no role whatsoever. No plan has been presented which reflects either an industrial policy or national interest, not to mention new jobs for the laid-off workers. Rather, Cuccia's Mediobanca has moved in total independence, emerging as the "real government" and the owner of Italian finance. Whereas De Benedetti has always been a Cuccia boy (he was placed by Cuccia into Olivetti in the first place, back at the end of the 1970s), the Gemina operation is a typical example of what could be called "a Cuccia coup."

The food cartels against Ferruzzi

The agro-industrial group Ferruzzi went bankrupt in 1993, after creditor banks refused to refinance its huge debt. The banks, of course, turned to Enrico Cuccia for a solution, which came two years later.

Troubles for Ferruzzi had started when, in the 1980s, Ferruzzi's manager Raul Gardini had tried to build a semi-public Italian chemical monopoly, first by buying the chemical giant Montedison and then, through the fusion of Montedison with the chemical division of ENI, the state hydrocarbons firm created by the late Enrico Mattei. The private-public company was to be called Enimont, but it never got off the ground, due to political opposition. Then, in 1987 Gardini tried to corner the Chicago soybean market with future contracts. When it was clear that Gardini was succeeding, the Chicago Board of Trade, under pressures from the grain cartels, nullified his contracts. Recent revelations show that pressures had come from Cargill and Archer Daniels Midland chairman Dwayne Andreas who, in order to amass evidence against Gardini, had infiltrated two FBI agents into the Chicago Board of Trade.

Ferruzzi never recovered from that loss of more than \$100 million, also because Gardini was forced out and the Ferruzzi family appointed a new, less competent management.

In 1993, as part of the "Clean Hands" investigation into political corruption, Milan prosecutors started a trial for alleged bribes around the failed Enimont project. Gardini, no longer the head of Ferruzzi but still planning a comeback, was found dead, allegedly having committed suicide, on the same day that the press announced that he was going to receive judicial notice that he was under investigation. In the meantime, creditor banks (led by Mediobanca's ally Banca Commerciale) pulled off the Ferruzzi bankruptcy. One year after Gardini's death, his widow Idina Ferruzzi declared in an interview that she believes her husband was killed.

Who is Cuccia?

For many years the only merchant bank in the country, thanks to a peculiar legislation inherited from Fascism, Mediobanca has always enjoyed a special power.

At the end of the war, Enrico Cuccia was chosen from

among the members of the small Action Party (a tool of the British establishment for their Italian "anti-fascist" friends, with an ideology which idolized the British-backed terrorist of the 19th century, Giuseppe Mazzini) as representative of the financial power of the Anglo-French "Entente Cordiale," under the auspices of Cuccia's friend André Meyer, the head of Lazard Frères investment house. Through Cuccia's Mediobanca, those circles have more or less controlled Italy's big private corporations, owned by dynasties whose dedication to industry never survived the first generation.

Thanks to that backing, Cuccia was able to use Mediobanca, formally a State-owned bank, to consolidate his position at the center of an intricate web of holdings and *fondi* which own each other, including corporations such as Fiat, Pirelli, Pesenti, Orlando, De Benedetti, Assicurazioni Generali, and RAS—the big corporations which dominate the Italian automotive, tire, cement, office machinery, and other industrial sectors, as well as the huge insurance business centered in Venice.

Since Cuccia's friends abroad launched the "Italian conservative revolution" in 1993, establishing the dictatorship of financial markets and starting large-scale privatizations, Cuccia has vastly enlarged his power by buying two of Italy's State-owned banks: Banca Commerciale Italiana (Comit) and Credito Italiano. That is, he has organized friends who have bought them for him.

Through the Gemina operation, Cuccia has now put together a 40 trillion lira (about \$25 billion at the current exchange rate) conglomerate by absorbing the former Ferruzzi empire and by tightening the already close connections with FIAT chairman Agnelli and other allies.

Through the Olivetti reorganization, of which the details are not known, Cuccia will for sure pull off a similar operation: Cuccia protégé De Benedetti will avoid immediate bankruptcy, in exchange for releasing control of his company to Cuccia's friends and allies.

Preparing for the storm

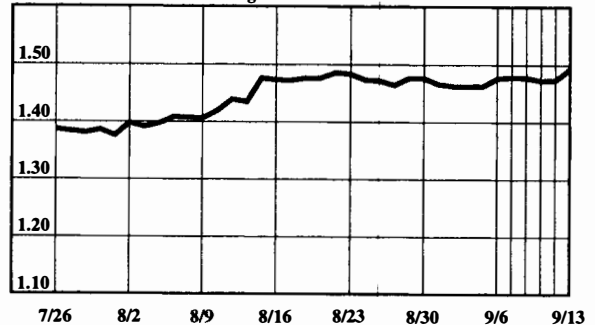
Whereas most commentators have focused on secondary aspects such as the emergence of a national chemical monopoly under Gemina, Prof. Marcello De Cecco, a well-known economic historian, has commented to *EIR* that Cuccia's Gemina "can be useful to open the umbrella in a general sense." Or, to shift metaphors, Cuccia is preparing to face the oncoming financial storms—the international financial crash—by putting all of his friends in the same boat. His plans are to buy up State companies ENI (energy), STET (communications), and ENEL (electricity) by using the usual methods. He hopes he can do that before he dies (he is 90 years old) and then leave the command of the system to Giuseppe Romiti, now manager of FIAT and his chosen successor at Mediobanca.

But, too bad for him: The big crash may very well come before Cuccia can do that.

Currency Rates

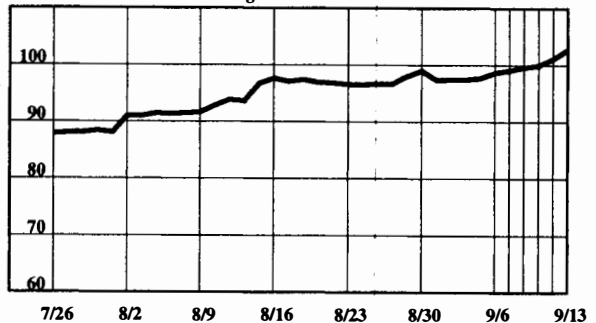
The dollar in deutschmarks

New York late afternoon fixing



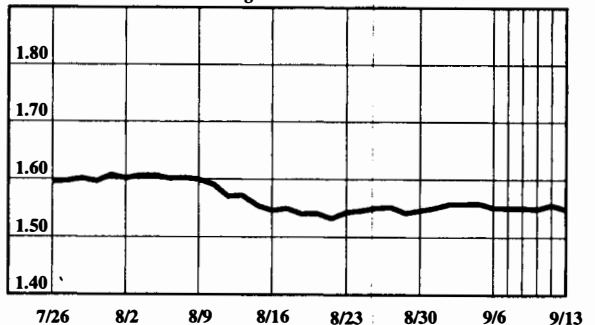
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

