
Part III: East-West Trade Mafia

1922-82: How Italian industry helped build the Soviet war machine

by Laurent Murawiec

On Dec. 4, 1922 at the Grand Hotel of Rome, two men were laying the ground for vast trade expansion between Italy and Soviet Russia. They were budding dictator Benito Mussolini and Lenin's special envoy and foreign trade minister, Leonid Krasin, a former terrorist and former employee of the giant German firm Siemens. Il Duce wanted Fascist Italy to be the first nation to officially recognize the Soviet government. Enormous publicity was given internationally to this groundbreaking meeting.

On Nov. 30, 1923, Mussolini stated that "the Fascist Government sees no obstacle to a *de jure* recognition of Soviet Russia." The framework agreement called for purchase of Soviet coal and raw materials, to be paid for with Italian capital goods and chemicals. On Feb. 8, 1924—sixty years ago, as both governments proudly celebrated last month—Italy extended formal diplomatic recognition. Mussolini had been beaten past the post only by Britain's Labour government of Ramsay McDonald.

Fascism and communism had no qualms about trade or political relations. Fascist industry and banks played a crucial role in the military industrialization of the Soviet Union through 1941. After the war, barely reconstructed Fascists did their best to repair the four-year interruption in trade. Italy became one of the main Western pivots of legal and illegal trading with the East, with the powerful Communist Party (PCI) fulfilling a central role in the mafia-like deals.

One fine morning of 1976, a jet airplane took off from Turin, the headquarters of Fiat, toward Moscow. On board were Gianni Agnelli, Libya's financial éminence grise Abdulla Saudi, who had just purchased on behalf of Col. Muammar Qaddafi 13% of the stock of Fiat, and U.S. Soviet agent Armand Hammer. "This is the first brick in the construction of a new world economic order!" a few servile journalists wrote. Some world, some order.

Fascism and communism

Fascist notable Marinotti, a top Italian Freemason, was probably the only Westerner who did not leave civil war-torn

Baku, the capital of Soviet oil, during the Bolshevik Revolution. As a representative of the Lane Rossi company, he maintained positions and links with the new regime, and was able to send Mussolini a report, whose tenor was: "Dear Duce, they're communists, but since we can't beat them, let's join them, especially since the British will take this market away if we do not." In 1922, Marinotti established the Compagnia Italiana per il Commercio Estero, CICE, which organized major trade fairs in Moscow and Leningrad.

Marinotti's friend Krasin waxed lyrical when diplomatic recognition was achieved, sending Mussolini a telegram that said "*Domani è il giorno del gran volo*" (tomorrow is the day of the great flight), a quote from Fascist poet-adventurer Gabriele d'Annunzio. CICE jointly owned trading concessions and handled all import-export activity between the two countries from its Milan headquarters and its Moscow branch office. It had exclusive representation for the metalworking, leather, textile, and chemical industries, and represented Fiat, already on the forefront of the business.

In 1928-29, Fiat assisted the development of the Soviet truck-manufacturing industry, a highly military-capable area. Fiat's 1.5- and 3-ton trucks were produced under a licensing agreement, and the Soviets also bought a Fiat tank. The Soviet AMO plant in Moscow benefited massively from Fiat's technology and know-how. Soviet ball and roll-bearing technology was literally created by the Italians, who built the huge Kaganovich plant in Moscow, at a cost of 116 million rubles, which turned out 18 million units in 1938. The Italian company involved in developing this vital unit in Soviet military industrialization, RIV, was a Fiat subsidiary. Fiat and the Ansaldo shipyards were prime movers in the supply of weapons, weapons design and technology, ships, autos, and aircraft. Soviet cruisers and destroyers were built in part by Ansaldo. Soviet air power was being built up by the Savoia and Macchi companies.

The Società Mista Italo-Russa di Commercio e Transporti (Joint Italo-Russian Trade and Transport Company) was handling the logistics. In the first nine months of 1925, Italian

supplier credit to the U.S.S.R. rose from 651,000 rubles in the corresponding period a year before to 11,987 million rubles. The excellence of relations even went to the point that Mussolini granted extraterritorial rights to Soviet enclaves in the ports of Bari and Livorno. Fascist Italy has also contributed to the development of the Soviet oil industry, with the oil concessions granted by Moscow to the Italo-Belgian Georgia Mining Corporation of Turin in 1923. By the 1930s, the Italian oil company AGIP was drawing 40% of its crude from the Soviet Union!

Licio Gelli, P-2, and the Soviet Union

The war did not entirely stop these profitable operations. Acting on behalf of certain Fascist *Gerarchi* (big bosses), the young Licio Gelli, a Fascist secret service agent and torturer, participated in campaigns advocating a separate peace with the U.S.S.R. at a time when Italian divisions were freezing in front of Stalingrad. After the fall of Fascism, Gelli went behind Soviet lines in the Balkans to secure some postwar “deals,” and was protected by various Communist partisan leaders when he came back to Italy. Saved from the firing squad by Communists, this known assassin underwent days of interrogation at the hands of PCI security which cleared him and set him free. In the early 1950s, Gelli was arrested for espionage on behalf of the Soviet Union—in the company of wealthy nobleman Giangiacomo Feltrinelli, later the brain behind Italian terrorism.

Gelli's Eastern connection went in large part through a Romanian connection, shared with P-2 leader Elia Valori. Gelli was a large shareholder in the Lebole garment manufacturing which pocketed lucrative contracts for supplying garments and building up whole plants in Romania. The Bulgarian Connection of the P-2 masonic lodge also gave him a large chunk of the gigantic arms-for-drugs smuggling networks Italian judges dismantled two years ago when they put Syrian businessman Henri Arsan behind bars.

After the war, Italy renewed its role as a major supplier of capital goods and quasi-military supplier to the Soviet Union—ironically, it had to pay \$100 million in World War II reparations, including “factory and tool equipment designed for the manufacture of war material.”

The post-war period in Italy witnessed the stupendous growth of the Communist Party, which had recruited left and right toward the end of the war, and carried out mass membership drives among “former” Fascists. The PCI, with a share of the popular vote oscillating between 25% and 35% over the previous three and a half decades, became a major power, not least in business. It created the huge network of the agricultural cooperatives—centered in but not limited to the rich food-producing region of Emilia-Romagna around “Red Bologna”—which spawned first export cooperatives, and then industrial manufacturing cooperatives of all kinds. A large share of the cooperatives' business consists of trade with the East bloc.

Undersecretary for Foreign Affairs Eugenio Reale, a PCI Central Committee member and a very close friend of PCI chief Palmiro Togliatti, was appointed ambassador to Poland in 1946. On his return from that tour of duty, he became something of a foreign trade minister for the PCI. Reale was expelled from the PCI in 1956, but he had apparently been the medium for smuggling the famous “secret report” delivered by Nikita Khrushchev at the Soviet CP's 20th Congress that year into the hands of James Jesus Angleton. From then on, Reale massively developed his East-West business activities.

This was a time when Italy served as a key route for the illegal smuggling of strategic materials into the Soviet Union, from cobalt to plutonium. Reale's associate Spartaco Vannoni and his friend Antonio d'Ambrosio worked—once again—through a “Romanian connection” to do that, which brought the threesome under the investigative suspicions of the Italian magistracy. Their Zürich-based company Falchimex was also funding the PCI, complementing the “Stalinist” faction in the PCI which funded itself largely from the cooperative movement's trade turnover.

Re-enter Fiat

After Togliatti died in 1964, Gianni Agnelli and Leonid Brezhnev ensured that his name would not disappear from the memory of the Soviet population. “Togliattigrad” was established, a giant integrated industrial complex manufacturing cars in Volgograd (formerly Stalingrad). Signed in 1966, notably through the brokering of PCI leader Piero Savoretti, a major financial intermediary for Italy's East-West trade who settled at some point in the Soviet Union—while doubling as an agent for SID, the Italian secret service—and later became a member of the board of Banca d'America e d'Italia.

Gianni Agnelli's predecessor as Fiat board chairman, Valletta, had laid the groundwork for renewed relations. The Siglienti branch of the family of PCI Secretary General Enrico Berlinguer also played a role. Curiously, U.S. President Lyndon B. Johnson, acting on advice of Defense Secretary Robert McNamara, authorized the shipment of sophisticated American technology to Togliattigrad; U.S. technology provided three-fourths of the equipment. Fiat was entrusted with supervising and technically assisting the construction and operation of the giant auto plant, with a capacity of 600,000 cars a year. To develop this military-capable complex, Fiat received a \$65 million engineering fee. Up to 1,000 Italian technicians and engineers worked on the site.

Other Italian companies followed. Montecatini, later Montedison, the chemicals giant, built a series of turnkey plants in the Soviet Union, integrated industrial complexes complete with infrastructure. The rostrum of Italy's East-West trade includes virtually all the largest corporations.

Few companies, however, played as prominent a role as the Ente Nazionale Idrocarburi (ENI) established by Enrico

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Mattei. On Oct. 17, 1960, Mattei flew to Moscow to meet N. S. Khrushchev, and came back with a contract for 100,000 barrels of crude oil a day—the Soviets, for the first time in the post war period, had broken into the Western oil markets. Relations had started in earnest in 1958; last July, ENI jointly celebrated the 25th anniversary with its Russian partners at Soyuznaftaexport, the foreign oil-trading company.

The Mattei-Khrushchev deal called for supply of Italian technology and know-how in return for the oil. Moscow secured rubber, chemicals, textiles, and above all, machine tools from Nuovo Pignone and turnkey plants from the engineering company Snam Progetti. In 1961, ENI opened an office in Moscow. In 1969, a major natural gas purchasing agreement was signed covering through the year 2000. ENI and its subsidiaries have been heavily involved in the development of the controversial Urengoi gas pipeline.

Fiat again, Libya and Armand Hammer

When Gianni Agnelli's private jet landed in Tripoli, Libya in 1975, Agnelli began 18 months of negotiations that resulted in the purchase of 13% of his company's stock by the shady financier Abdulla Saudi, then head of the Libyan Arab Foreign Bank and one of Muammar Qaddafi's top financial advisers, and currently head of the Arab Banking Corporation. Saudi, Major Jalloud, and Qaddafi were making a resounding entry into the Western European business world—and interestingly, they took the totality of a Fiat capital increase of \$104 million, purchasing the stock at more than three times its market value, then at 1,600-1,700 lire, for 6,000 lire a piece! It was understandable that the bloody Libyan dictator should choose Fiat and Italy for this remarkable debut on the industrial stage: He had been assisted in his ascent to power by P-2 Grand Master Licio Gelli and the latter's close associate SS Col. Otto Skorzeny.

The leader of Italy's postwar Fascist party, the MSI, Gen. Vito Miceli, former head of the Italian secret services SID, exclaimed upon receiving the news of the agreement announced in Turin: "Without me, relations between Fiat and Qaddafi would not have come to that." His relations with Qaddafi's own secret services had been intensive. Another little helper was former Socialist parliamentarian Michele Achilli of Milan, a major force in Libyan-Italian trade who also specialized in smuggling goods into the Soviet Union through Libya.

Next Saudi and Agnelli, as noted above, took off for Moscow to build their "new world economic order" with Armand Hammer (see *EIR*, first part of this article, Feb. 14, 1984), whose Occidental Petroleum company had extensive interests in Libya; he had played a major role in installing and maintaining Qaddafi in power. He had also established a large joint venture with ENI, Enoxy, based in Switzerland whereby he took over all chemicals interests of ENI. Nazis, communists, Islamic fundamentalists: such are the East-West trade mafias.