

Behind De Benedetti: Asset strippers push *perestroika* on Western Europe

by William Engdahl

While most European and North American stock markets are sinking to new lows in the wake of Black Monday, the bourses of Paris and Brussels have made a remarkable rebound. An elite group of European financiers has launched the first assault in a continental war to change the political and economic map of Western Europe between now and 1992, the target date for creation of a "Single European Market" free of all border controls on goods, capital, and people.

In the vanguard of this West European "restructuring," are the companies most actively promoting expanded East-West trade links with Gorbachov's Russian empire. For four weeks, European financial press has been preoccupied with a spectacular hostile takeover attempt by Italian financier Carlo De Benedetti, the chairman of Olivetti and widely promoted as the prototype of a "new" breed of European financier. De Benedetti's target has been one of the most valuable holding companies in the world, the Belgian Société Générale de Belgique.

Some 18 months ago De Benedetti diversified from his northern Italy base, creating a Paris financial holding company, Cerus, to take advantage of the then-emerging deregulation of French financial markets and sell-off of state companies which has been the pivot of the Chirac government's "privatization" program. In mid-January, De Benedetti began to buy shares on the depressed Brussels Bourse for the company known as "Belgium's alternative government." Initially set up in 1822 by King William I of the Netherlands, since Belgium's 1930 "independence" the company grew to become the primary vehicle of Belgian Royal House control of its rich African colonial possessions including copper, diamonds, uranium, and a wealth of strategic minerals. The company today controls fully one-third of all Belgian industry from chemicals to steel to telecommunications and banking, with both Dutch and Belgian Royal Houses holding a significant share via various shielded investments.

Insider trading is legal

The tactics of De Benedetti in his hostile takeover hint of the kind of "insider trading" abuses which sent Ivan Boesky and other Wall Street arbitrageurs to prison. Belgium has almost no restrictions on "insider" trading. Brussels financial insiders say the takeover likely has involved collusion of Etienne Viscount Davignon, currently vice chairman of So-

ciété Générale de Belgique; it also reportedly involved the Flemish head of Gevaert, a financial company tied to the Belgian-German AGFA-Gevaert. And, it is rumored to have involved the "white knight" who reportedly came to the rescue of Société Générale, the Paris financial conglomerate, Cie. Financière de Suez. De Benedetti sits on the board of Suez and was present at a critical Feb. 4 board meeting in Paris, together with current "old guard" president of Société Générale and also Suez board member, René Lamy. Suez made the decision to enter the bidding game for Société Générale.

Although it is a touchy matter, rumors in Brussels are that the Paris-London-New York merchant bank, Lazard Frères, was working on behalf of the De Benedetti group as well. If true, that would be quite a bombshell. Lazard was the investment banker advising Lamy and the management of Société Générale on tactics to preserve the company's control from the hostile bid. As of press time, it appears that De Benedetti will forge a takeover alliance with a "Belgian" group of shareholders led by Albert Frère, chairman of Belgium's second largest bank group, Group Bruxelles Lambert, itself closely tied to the Lazard Frères group through a secretive Swiss holding company, Pargesa.

The Single Europe Act of 1992

Little noticed outside Brussels and a few corporate boardrooms was the final passage during summer 1987 of what promises to be one of the most controversial acts in modern European history: The Single European Act. On the surface, it seems innocuous enough. Common rates of sales tax, VAT, will be applied in all member countries within the 330-million-large 12-nation European Community (EC). Animal health standards will be made uniform, together with a long list of regulations standardizing for example, the size of electrical light plugs to encourage more rational markets within the EC.

But, as EC officials admit privately, the real centerpiece of the Single European Act is financial. The act will set up "free flow of capital, goods, services and people within the EC. It will be a true United States of Europe," one senior EC official stressed. "The plan all rests on the assumption of liberalization of capital markets within the EC." If the plan takes effect, there will be no more customs policing the

borders of France, West Germany, Denmark, Italy, or other EC nations.

It will also open the floodgates for concentrations of financial power such as that behind De Benedetti, to asset-strip European industries, much as Ivan Boesky, Carl Icahn, Drexel Burnham Lambert, and allied Wall Street firms have done to U.S. industry in recent years, charging ahead under the flag of "efficiency" and higher financial returns.

Knights of a new 'roundtable'

According to EC and other Brussels sources, the inspiration and pressure which has brought the Single European Act of 1992 to the fore is a little-known private industry group formed five years ago under the name European Business Roundtable. The chairmen of Europe's most important corporations are in this group, including Carlo De Benedetti of Olivetti; Wisse Dekker of the Dutch Philips Co.; Raul Gardini of Montedison-Ferruzzi and Umberto Agnelli of Fiat, both of Italy; Etienne Davignon of Société Générale in Belgium; Hans Merkle of Bosch in Germany; Helmut Maucher of Nestlé in Switzerland; Unilever of U.K. and Holland; Curt Nicolin of ASEA and Pehr Gyllenhammer of Volvo, both linked with the Wallenberg family interests and a number of others, totaling 29 of Europe's most influential business elite.

These are the very European multinationals that have been most involved in trade with the East. De Benedetti has been a leading advocate for a "Marshall Plan for the East" where Western banking and industrial groups, with generous state subsidies, would finance the war build-up in the Warsaw Pact, known as *perestroika*.

That this is no random selection of businessmen is clear from the guest list at a two-day strategy session held in early February in Stuttgart, West Germany at the joint invitation of Germany's top banker, Deutsche Bank's Alfred Herrhausen and the ambitious governor of Baden-Württemberg, Lothar Spaeth, just before Spaeth traveled to Moscow to discuss "joint ventures" with the Kremlin leaders. The chairmen of Bosch, Nestlé, ASEA's Peter Wallenberg, Philips, Unilever, were among the invited strategists, along with Carlo De Benedetti and Gevaert's André Leysen, and Sir Ian MacGregor of Lazard Brothers, the London merchant bank associate of the Paris Lazard Frères of M. David-Weill.

They reportedly based their strategy on a grand consultancy project being drafted by the multinational management consultants, McKinsey & Co. termed "Concept 1992." The aim is wholesale removal of decades of social and employment safeguards; ending state subsidies; lowering wages in economically depressed regions such as the steel regions; wholesale sell-off of state-owned enterprises as Thatcher has done in Britain, to allow "rationalization" by the private sector. In West Germany, this group demands subsidy elimination in steel, coal, and agriculture which would wipe out at least 500,000 jobs. This is being sold under the catchy rubric "freedom of investment and freedom of disinvest-

ment." The professed goal, as the industry captains at Stuttgart hinted to press after their two days of talks, is "cheaper production" and "innovation" where "old production" sectors give way to so-called "new production." "Old production" includes the steel industry and agriculture so essential to national security!

McKinsey, together with Ian MacGregor's Lazard's as well as Etienne Davignon, have been collaborating since the oil and interest rate shocks of the late 1970s to "triage" European production capacities, using the financial community argument of "shrinking markets" to cover for cartelization by a handful of international financial institutions.

MacGregor took a leave from Lazard's to head British Steel in the early 1980s where he applied his "Lazard Plan" to force permanent cutbacks in steel production capacities by blowing up the blast furnaces. McKinsey served as management consultant to the Davignon Plan, named for then-EC Commissioner for Industry, Viscount Davignon, who pushed the McKinsey and Lazard schemes as official EC policy, to destroy steel capacity.

One result is that the "free market" EC has growing cankers of depressed regions in the Ruhr and Saar in Germany, northeast France, Belgium, and elsewhere which formerly were thriving steel centers.

Just the beginning

Whatever the final-outcome of the De Benedetti takeover attempt of Société Générale, it is clear this is just the beginning. London brokerage houses report that there is now a process of scouring European bourses in the wake of the catastrophic market collapse since Oct. 19 in order to find "cheap bargains," as corporate assets are termed now. Already, another associate of De Benedetti, Assicurazioni Generali, Italy's largest insurance conglomerate whose vice president is Camillo De Benedetti, Carlo's relative, has announced a move to buy shares of the giant French insurance firm, Compagnie du Midi. London brokerages report Assicurazioni's investment partner in the takeover attempt is the normally low-profile investment bankers of Lazard Frères. The fight to control European insurance is seen as the heart of control of enormous assets in the deregulated post-1992 Europe, as these giant and well-protected insurance firms privately control some of Europe's most valuable companies.

Lazard's has just completed arranging the takeover of one of the oldest French cognac firms, Martell, as the investment banker to the Canadian Bronfman family's Seagram's. Senior London financial insiders say that the now-erupting merger wave across Europe will at least initially be dominated by Warburgs and Lazard Frères. "Lazard's has made a public virtue of the fact that it refused to enter the London 'Big Bang' and after Oct. 19, they are one of the most well-positioned investment bank groups" to take advantage of the collapse of the paper values of many of Europe's most valuable industries.