



**KNOW  
YOUR  
BILLION-  
AIRES!**

**ENCO**  
European Network of  
Corporate Observatories

## TABLE OF CONTENTS

JIM RATCLIFFE	5
FLORENTINO PÉREZ	9
CASTOR: THE FAILED PROJECT THAT EPITOMISES FLORENTINO	13
LORINC MÉSZÁROS	18
CHRISTOPH BLOCHER	20
THE EUROPEAN MAP OF BILLIONAIRES	22
FERRERO FAMILY	24
HAZELNUT MONOCULTURE IS BACK TO ITALY	27
ALBERT FRÈRE	29
AGNELLI FAMILY	34
ISKANDAR SAFA	37
SUSANNE KLATTEN AND STEFAN QUANDT	40
ANDREJ BABIŠ	42
HOW TO BECOME A BILLIONAIRE (AND STAY ONE)	49



# KNOW YOUR BILLIONAIRES!

**A PORTRAIT OF EUROPE THROUGH ITS RICHEST, THEIR CORPORATIONS AND THEIR INFLUENCE.**



**I**t has been more than ten years since the financial crisis of 2008. “In that time, the fortunes of the richest have risen dramatically”, Oxfam noted in its global inequality report last year. The number of billionaires has almost doubled, with a new billionaire created every two days between 2017 and 2018, says the NGO. That’s the global situation. What about in Europe? And what role do European transnational corporations play in that wealth?

Among the ten richest billionaires in the world, two are European: Bernard Arnault (France) and Amancio Ortega (Spain). Both of them are linked to large companies. Bernard Arnault is the head of the luxury goods conglomerate LVMH (Louis Vuitton, Sephora...) and he owns several French newspapers. Amancio Ortega owns the Inditex group, known for its Zara fashion retail chain with more than 7,000 stores over the world.

Even if most European billionaires are not as wealthy as the billionaires from the U.S., there are still many of them. They come mostly from Western Europe (Germany, France, Spain, Italy, Netherlands, UK, Sweden...), but increasingly also from Central and Eastern Europe.

In France, most main media outlets are now owned by billionaires. In the Czech Republic, a billionaire, Andrej Babiš, became Prime minister in 2017. In the UK, the billionaire Jim Ratcliffe supported the Brexit campaign. In Hungary, billionaires have a close relationship with Prime Minister Viktor Orbán and its family.

Recently, Eastern European millionaires and billionaires, who are also called oligarchs in the CEE context, have gained more and more influence on the continent. For example, the Czech Daniel Kretinsky (2,6 billion euros net worth, according to *Forbes*) bought gas infrastructures in Slovakia, coal mines in Germany, coal plants in France, as well as French media outlets (including shares in *Le Monde*). Will he enter politics like his compatriot Andrej Babiš, whose original business was agriculture and chemicals? Going from business to politics: that was also the case for the Swiss Christoph Blocher, who is an important figure of the national-conservative Swiss People’s Party. In France, the former head of the Dassault company (which produces military aircraft), Serge Dassault (one of the richest French billionaires) has been senator for more than a decade. His son is still a member of the French Parliament. >>>



»» Why are these stories important to tell? Why is it important to study European billionaires now? Because inequality is an urgent issue in Europe too. In Hungary, Lőrinc Mészáros' wealth is worth more than 161,000 years of the Hungarian minimum wage. For Jim Ratcliffe, it's more than 623,000 years of the UK minimum wage. The net worth of Amancio Ortega, more than 61 billion euro, is equivalent to more than 4 million years of the Spanish minimum wage. For Bernard Arnault, his assets of more than 63 billion euros represent more than 3 million years of the French minimum wage.

The super-rich do not only concentrate wealth. With all that money in their hands, European billionaires also have a sweeping influence on the economy and on politics. For companies, corporate capture is called lobbying; for the billionaires at the head of these companies, corporate capture also happens through the ownership of the media, or by entering politics themselves.

How do European billionaires and oligarchs influence politics and societies? These are the questions we are asking here. And also: how to confront them?

Billionaires are also transnational; their economic power is not confined to one country. Their companies sell everywhere (like Zara and Ikea), they have employees in many different countries, they put their money in different places in order to avoid taxes, they extend their activities all over Europe, like the Czech Daniel Kretinsky.

This ENCO report does not seek to blame individuals or families for being rich, but to highlight the influence and effects of the hyper concentration of wealth and power on the economy, on the environment, and on politics, all over Europe.

All the cases studied here represent different sides of a global situation. We did not necessarily pick the richest among the richest Europeans, but all the cases together draw a picture of global influence.

Billionaires, even those who are not well known, are powerful actors in Europe.

We have to know them in order to face their power.

# JIM RATCLIFFE

## NET WORTH

11.7 billion euros (12.8 billion USD) in 2019 (Forbes)

⊖ more than 280,000 years of the average salary in the UK

⊖ more than 623,000 years of the UK minimum wage

## COUNTRY

United Kingdom

## SECTORS

Chemicals, Shale gas

## COMPANIES

INEOS

## FOOTBALL CLUBS

OGC Nice, Lausanne-Sport



## JIM RATCLIFFE, BRITAIN'S PRO-BREXIT BILLIONAIRE

Read a typical biography of Jim Ratcliffe and you will come across the rags to riches story of how a council estate boy from Manchester worked hard and showed a bit of savvy to become the wealthiest man in Britain. It's the classic tale of capitalist meritocracy: if we all just worked hard enough we too could be billionaires.

INEOS, the chemicals company Ratcliffe owns and controls, has been criticised for causing air and water pollution, dangerous leaks, fires and explosions, as well as creating vast amounts of plastic waste and carbon emissions.

It has been leading the charge to open the UK's land to fracking, though that has currently been stalled by nation-wide campaigns and determined local opposition.

Ratcliffe is the founder, chairman and majority shareholder of the chemicals giant INEOS, holding 60% of the company's shares. The *Sunday Times* newspaper reckons Ratcliffe is the third richest person in the UK, worth 21 billion euros (18 billion £). *Forbes*, however, estimates its assets at 12 billion euros. The vast majority of that is based on the estimated value of his INEOS shares (the paper added another 174 million euros (150 million £) on top of the INEOS shares for "two superyachts, hotels, and the Swiss football club Lausanne-Sport" and also said he is "building a 7 million euro (£6m) beach house on the Solent in the New Forest national park").

Ratcliffe's story is also the story of INEOS. He initially worked at Esso before going to the London Business School. He then moved into venture capital, co-founding a company called Inspec to buy up BP's chemicals division in 1992, renaming the business INEOS six years later.

INEOS grew by borrowing money to buy large chemical and energy companies' unwanted operations. Ratcliffe then forced through extreme cost cutting measures to improve their financial performance. Between 1998 and 2008, INEOS acquired 22 companies, most notably buying Innovene for 8 billion euros (9 billion USD) in 2005. A BP subsidiary, Innovene owned the Grangemouth oil refinery in Scotland.

In 2014 INEOS announced a 746 million euros (£640m) investment in shale gas exploration in the UK, intending to use gas extracted through fracking as a raw material for its chemical plants. In 2018 Ineos released plans to create six new oil and gas business units, following its acquisition of Dong Energy's oil and gas business for 940 million euros (1.05 billion USD) and North Sea interests such as BP's Forties pipeline. Although several high profile investors had pulled out of Saudi Arabia following the murder of journalist Jamal Khashoggi, in June 2019 INEOS announced a 1.8 billion euros (1.6 billion £) investment in a petrochemical complex in the Kingdom<sup>1</sup>.

Despite some recent forays into other areas, the overwhelming majority of INEOS' operations are based on refining and processing chemical products from oil and gas and supplying them to a wide range of markets including fuels, pharmaceuticals, foods, construction and agriculture. The company now employees 21,000 people at 113 sites across the globe.

Ratcliffe controls INEOS through a Luxembourg-registered holding company called INEOS Group Holding SA. The other 40% of INEOS shares are owned, in equal measure, by his long-time lieutenants John Reece and Andrew Currie.

INEOS made a profit of 1.2 billion euros in 2018, after bringing in revenues of 16.1 billion euros. The majority – 9 billion euros – of INEOS' revenue came from Europe, with another 5 billion euros from the Americas.

The company paid out 194 million euros in dividends to Ratcliffe, Reece and Currie in 2018. This is less than previous years, but still a huge amount.

Ratcliffe was knighted in the 2018 Queen's birthday honours list. Later the same year it was revealed that he was relocating to Monaco for tax purposes (see below).

<sup>1</sup> *The Guardian*, 3 June 2019.





In 2019, to mark the 20<sup>th</sup> anniversary of the founding of the company, Ratcliffe hired someone to design an INEOS coat of arms. He decided the latin motto *Veni emi vici* 'I came, I bought, I conquered', was appropriate.

## ENVIRONMENTAL POLLUTION AND SAFETY

INEOS has an history of serious environmental and safety incidents. Its operations around the world are a huge source of carbon emissions, pumping out millions of tonnes of CO<sub>2</sub> every year. INEOS plants also emit thousands of tonnes of Nitrogen and Sulphur oxides each year and are a source of other pollutants such as ammonia, benzene and hydrogen cyanide.

Accidents at INEOS plants have included serious explosions, fires and leaks. Just one INEOS site in Cologne has had a series of serious incidents, including ammonia leaks, explosions and a fire (in 2018) that sent flames 130 feet into the sky.

INEOS has had a host of environmental and safety issues in the US as well, where it paid nearly 3.5 million euros in environmental and workplace penalties and fines from 2003 to 2016<sup>2</sup>. In one incident in 2015 at a plant in Port Lavaca, Texas, a hydrogen cyanide leak resulted in a worker dying.

Plastic pellet pollution is a regular problem near INEOS facilities, and the company has admitted in the past that it's plant was the probable source of local plastic pollution.

As one of the largest plastic producers in Europe, INEOS bares responsibility for an enormous amount of plastic waste. This, combined with its expansion into fracking in the UK, led to many accusing the company

<sup>2</sup> Food and Water Watch, "Ineos Chequered Environmental Track Record in Europe", November 2017.



An INEOS plant in Belgium.

CC ALF VAN BEEEN / WIKIMEDIA COMMONS

of greenwash when it bought a famous UK cycling team from Sky, especially given the team's recent plastic waste notably reduction campaign #passOnPlastic.

INEOS is notable absent from the Plastic Waste Alliance instead choosing to back Operation Clean Sweep, a programme created by plastics industry trade association PLASTICS over 27 years ago.

## UNION-BUSTING

Ratcliffe's earned union-busting reputation when INEOS became mired in an industrial dispute at Grangemouth in 2008. Workers held a two-day strike in response to INEOS' plan to change the pension contribution scheme for new employees, which would mean a 6% pay cut.

The strike caused serious disruption to the UK's oil infrastructure and INEOS was forced to cave in, scrapping the pension changes. The company had been hit hard by the financial crisis in 2008. It was already in serious debt from the Innovene deal and came close to being taken over by the banks it owed money to.

Ratcliffe, renowned for his stubbornness and aggressive approach to negotiations, was determined that would not happen again.

Further disputes took place in 2013. INEOS said the refinery was making a loss and proposed a rescue plan involving worsened terms of employment for workers, particularly around pensions. The union, Unite, rejected the move and the dispute was escalated by the suspension of a union official, on controversial charges. However, this time, Ratcliffe was ready.

INEOS had been stockpiling oil reserves since March that year. The union had threatened strikes in response to the official's suspension, but then called off plans to close the plant despite INEOS walking out of negotiations. Ratcliffe responded by locking the workers out the next day and shutting down the plant himself, threatening to close half of it permanently. Some workers were bought off and the union was eventually forced into accepting significantly-reduced pension plans plus a three year pay freeze.

## FRACKING THE UK

INEOS has been at the centre of attempts in the UK to push fracking, a highly controversial and environmentally damaging hydrocarbon extraction process. The company is the majority holder of fracking licences in the country, covering an area of one millions acres, and has clashed with local campaigners and environmental groups on numerous occasions.



CC FOREIGN AND COMMONWEALTH OFFICE / FLICKR

**Jim Ratcliffe, Chairman of INEOS Group signs a framework agreement with Wang Lihua, Deputy Chief Economist of China National Petroleum Corporation and President Petrochina International Co Ltd, 10 January 2011.**

The revolving door between industry and government is particularly apparent when it comes to INEOS and fracking. This is illustrated by the case of Patrick Erwin, a former top civil servant in the department of energy and climate change (DECC) and the department for communities and local government (DCLG). In 2013 Erwin was seconded to INEOS and helped the company develop its fracking plans and then secure a huge number of fracking licences across the country. Despite Freedom of Information requests DECC had refused to reveal who the civil servant seconded to INEOS was. It was only discovered when Erwin put it on his LinkedIn profile after the secondment had ended<sup>3</sup>.

INEOS has been particularly litigious when pushing fracking. In 2017 the company took action against the National Trust at the High Court after the charity's refusal to allow seismic surveys on its land due to environmental concerns. INEOS' lawyers forced the Trust's lawyers to drop their objections.

The company also attempted to overturn the Scottish ban on fracking using a judicial review, claiming compensation

<sup>3</sup> 'Meet the Frackers': a Spinwatch lobbying tour, Spinwatch, January 2017.

for a breach of its 'human rights'. The Court of Session, Scotland's highest court, ruled against the case, accepting that the government had a 'preferred policy position' against fracking rather than a legal ban.

A widespread anti-fracking campaign in the UK saw several INEOS sites being targeted by protesters, often using tactics intended to hinder operations. In 2017 the High Court granted INEOS a sweeping injunction against protesters. The injunction, meant that anyone obstructing the firm's fracking activities would face prison, a fine, or seizure of their assets. Two aspects of the injunction were later overturned by three Appeal Court judges following a challenge by campaigners<sup>4</sup>. In response to the ruling, Ratcliffe's deputy and INEOS chief of operations Tom Pickering said: "We respect peaceful protest, but we must stand up to the militants who game the legal system with intimidation and mob rule. We stand for jobs and opportunity. They stand for anarchy in the UK."

INEOS has also called for the government to relax rules on earthquakes caused by fracking operations, which it described as 'unworkable'. Ratcliffe called the government's attitude on the issue "pathetic", and said the policies risked an "energy crisis" and "irreparable damage" to the economy.

<sup>4</sup> "Protesters hail legal victory over fracking firm's injunction", *The Guardian*, 3 April 2019.



Ratcliffe claims he wants his company to frack to provide cheap energy. But as well as profiting from selling the gas it fracks, INEOS will also use the energy as a feedstock for its chemical operations. INEOS currently imports shale gas from the US using its 8 custom built 'dragon ships'. Producing shale gas in the UK would greatly reduce their costs.

### **BELIEVER IN BRITAIN?**

Jim Ratcliffe has been an outspoken supporter of Brexit, saying "We are an island, we are an independent people. We are a very creative nation, hard-working. We can thrive as an independent nation, we don't need people in Europe telling us how to manage our country. I have no problem with the common market but I don't think the United States of Europe is a viable concept"

Many have suspicions that Ratcliffe's enthusiasm for Brexit is more about trying to avoid EU environmental regulations than patriotism. Documents were obtained showing that shortly before the EU referendum, INEOS lobbied, as part of the Chemistry Growth Partnership, to be exempt from climate change levy (an environmental tax) and to abolish the UK carbon floor price in order to reduce energy costs to the chemicals sector<sup>5</sup>.

Later, in October 2018, INEOS wrote a letter to the Secretary of State for Business, Energy and Industrial Strategy threatening to close its manufacturing plant in Middlesbrough unless it could avoid EU pollution rules.

In February 2019, Ratcliffe wrote [an open letter](#) to the European Commission president attacking expensive EU regulations and "stupid" green taxes, saying that Europe had the "world's most expensive energy and labour laws that are uninviting for employers".

INEOS announced its decision to invest 3.4 billion euros in a petrochemical plant in Belgium just hours before MPs in the UK voted to reject the Brexit deal.

In 2017 INEOS attempted to block the Scottish Environmental Protection Agency's new restrictions on air and noise pollution at Grangemouth. The proposed new restrictions followed years of complaints, investigations and breaches including a series of safety lapses that led to oil and gas leaks. Two incidents involving gas leaks led to road closures and school children being kept indoors to avoid exposure.

Following the UK government's refusal to reduce INEOS' tax burden in 2010, Ratcliffe moved the head

<sup>5</sup> "Fracking firm Ineos leads industry lobbying to avoid green tax", *The Guardian*, 3 April 2017.



A pro-Brexit demonstration in London in 2018.

office to Rolle, Switzerland. This may have saved the company 116 million euros a year in tax payments. Ratcliffe himself moved back to the UK for tax purposes in 2016, but has attracted further controversy over plans to create a new tax structure and move up to 11 billion euros to Monaco, a move which has been estimated could deprive the UK Treasury of up to 4.6 billion euros in tax.

### **Corporate Watch**

*The contents of each article are sole responsibility of its author/organisation*





# FLORENTINO PÉREZ

## NET WORTH

1.8 billion euros (2.1 billion USD)  
in 2019 (Forbes)

⊖ more than 51,000 years  
of the average salary in Spain

⊖ more than 142,000 years  
of the Spanish minimum wage

## COUNTRY

Spain

## SECTORS

Construction

## COMPANIES

ACS

## FOOTBALL CLUBS

Real Madrid



It's the 2<sup>nd</sup> of March 2019. Journalists and the political class may have been squabbling as the Spanish elections approach, but tonight they are setting aside their differences. Those present have two things in common: they are already tanned at the beginning of spring, and they answer his calls with the same title: "president". Among the attendees, the only exceptions to the rule are the former Spanish Prime Minister José María Aznar, of the conservative Popular Party (PP); the current European Union's High Representative for Foreign Affairs, Josep Borrell, a social democrat of the PSOE; his predecessor, the conservative José Manuel García Margallo; and former minister and owner of several businesses Isabel Tocino (PP).

Today, the guests from the Popular Party and Florentino Pérez himself have received good news: several former senior officials of the PP and the president of Real Madrid himself had been called to appear before Parliament in relation to the Bárcenas case (an investigation into financing irregularities within the PP), but in the end the PP and the PSOE, with whom the PP has alternated power for decades, voted down the motion. ACS (the construction multinational that Florentino Pérez presides over) donations to the PP, according to documents from Luis Bárcenas, former treasurer of the political party, something that the businessman denies.

Real Madrid is playing at home against FC Barcelona, their great rival in the Spanish league. "I am powerful

to the extent that I am president of Real Madrid. If I leave tomorrow, I'm not powerful anymore," admitted Florentino Pérez to journalist Jordi Évole, one of the most influential in the country. He recognised in this way what many of his rivals had already said in various forums, such as the late Jesús Gil, another controversial businessman who was president of Madrid's second football team and to whom HBO has dedicated a series. Gil said that the box at the Santiago Bernabéu football stadium, the home of Real Madrid, "fulfills in democracy the role that Franco's hunts did in the dictatorship": a pleasant, intimate and at the same time high-profile place to do business.

A person close to the construction company claims that making deals in the box is already a tired idea, but this is not true. People go there to enjoy themselves, and to share. And you can even enter without a tie. Florentino Pérez abolished the obligation to wear ties after Cándido Méndez, then secretary general of UGT, the largest union in Spain, had trouble entering because he was not wearing one. The former UGT leader confirmed this anecdote to *La Marea* and says that he feels "respect and affection" for the president of Real Madrid. He is not the only union leader who frequents the Bernabéu box, where an individual VIP space requires a minimum outlay of 5,000 euros per year. Some of them, such as former CCOO leader José Luis Sánchez García, have even ended up joining the club, in his case as a director of Real Madrid.

Also enjoying Spain's most eagerly anticipated derby are leading media chiefs. This March 3rd, Floren, as he is popularly known, is joined by Juan Luis Cebrián, until very recently the head of the PRISA Group (the conglomerate that controls some of the main Spanish media, including *El País*, the *SER* and *Cinco Días*), Casimiro García-Abadillo (director of *El Independiente* and former director of *El Mundo*), Federico Jiménez Losantos (*esRadio*) and other leading journalists with varying orientations and editorial lines. He notices some attendees in the box from *El Confidencial*, one of the few national media that publishes uncomfortable information about Florentino Pérez, such as the interview they conducted in September 2019 with Ramón Calderón, the former president of Real Madrid who has been aiming to bring Pérez down for several years.



CC-INSTITUTO GERVANTES DE TORICO / FELICKR

### Florentino Pérez.

The final whistle, end of the match. Madrid lose by a goal to Barça. The defeat marks a new episode in the businessman's losing streak. The fans ask for his head ("Florentino's guilty"). A few days after that defeat, the Supreme Court came down on his side in relation to the changes to the statutes that govern the operation of the team in white: if someone wants to dislodge him, they will have to demonstrate at least 20 years as a club member and provide a guarantee equivalent to 15% of the annual expenditure of the club (around 700 million euros).

Florentino Pérez performs equally well in the premises of a luxury hotel as he does before a motorway set menu, according to the person who runs one of the largest newspapers in Spain. In recent decades, his decisions have transformed the urban landscape of Spain and beyond. However, there are people and gestures that have been with him since before his jump to stardom.

Florentino Pérez is among the ten wealthiest men in Spain and one of the richest 1,000 on the planet, with an estimated fortune of 1.8 billion euros. King Juan Carlos likes to talk about football with him. So does Silvio Berlusconi, former Italian *premier* and former owner of FC Milan, explains Juan Carlos Escudier in the book *Florentino Pérez: a black and white portrait of an achiever*.

### JUST ANOTHER ENGINEER IN MADRID'S TOWN HALL

Florentino Eduardo Pérez Rodríguez (1947) was born into a middle-class family that ran a pharmacy. When he finished his studies at a private Catholic high school, he decided to study Civil Engineering.

As soon as he graduated in 1976, he undertook an ephemeral editorial journey with a friend and launched *Guía del ocio*, an imitation of the French cinema magazine *Pariscope*. Among his collaborators were the critic Carlos Boyero, one of the most prominent in Spain, as well as the journalist Arsenio Escolar and the Oscar-winning film director Fernando Trueba, then unknown.

His first big break came at the hand of Juan de Arespachaga, his first mentor, a Francoist leader who became mayor of Madrid at the suggestion of the former Francoist minister and then Vice President Manuel Fraga, and by decision of King Juan Carlos. Arespachaga first pulled strings - according to Escudier and confirmed by a veteran former official of Madrid city council - to get the young engineer a position in the "Asociación Española de la Carretera" construction lobby, a valuable mine of contacts that earned him the friendship of businessmen, trade unionists and even neighbourhood associations, as Juan



Carlos Escudier reports in the book *Florentino Pérez black and white portrait of an achiever*.

Afterwards, Arespachoga appointed him as a Sanitation delegate in the city council of the Spanish capital. Florentino Pérez was 29 years old. A technician from the Madrid council who worked with him during that period says that the businessman “was a power in the Madrid City Council from the moment he graduated”, although he also clarifies that it was he himself who launched the first comprehensive sanitation plan of the capital, which laid the foundations for life to be restored to the then stagnant Manzanares River, explains the technician anonymously, a condition that most of the sources that agree to talk to the author of this article about the businessman ask for.

Years later, when Arespachoga abandoned his political career and left the Senate, his pupil, by then a promising businessman, gave him a well-paid seat on board of Cobra, one of his most international, and also most controversial, companies.

After leaving the city council, Florentino Pérez obtained a position of responsibility in the Ministry of Agriculture, in the area of Infrastructure.

During those years, in addition to making important contacts, the young engineer also developed an interest in the world of politics. It was then that he joined the Democratic Reform Party formed by Miquel Roca, one of the fathers of the Spanish Constitution, and the prestigious lawyer Antonio Garrigues Walker.

The adventure ended in an electoral massacre and the party was barely active between 1983 and 1986. Florentino Pérez said goodbye to institutional policy and went fully into the world of business and construction.

Together with his friend Juan Torres, from his time at the Madrid city council, and with the help of Banco Urquijo and other engineers, in the early 1980s Pérez bought first Construcciones Padrós and then Obras y Construcciones Industriales SA (Ocisa), both for a symbolic price: a peseta. By the time of this adventure other famous names from the public sphere had already appeared, such as that of Pedro López Jiménez, former Undersecretary of Public Works, and that of one of the specialists in the purchase and sale of Spain's best-known companies, José María Loizaga, Pérez's

right-hand man to this day (a title that he now shares with businessman Marcelino Fernández, now chairman of the executive board of Hochtief, a German construction company which has been under the control of ACS since 2016).

## VIP CONTRACTOR

OCP, the embryo of what is now ACS, was the eighth largest public contractor of Spain in 1994. Two years later, with the arrival of conservative President Aznar and Minister Arias-Salgado, it climbed to third place. In 1999, ACS became the main recipient of public contracts (often processed urgently and without competition) in the emerging Spanish economy. Already then, Spain stood out in Europe for generating 70% of all public concessions, according to *Public Works Financing*. In 2016, ACS became the largest public works contractor internationally according to the Public Works

Financing Newsletter.. At present, the multinational construction company of Florentino Pérez has more than 200,000 employees, not counting the personnel hired by its subcontractors.

Perez's entry into the club of VIP contractors was cemented on the day that the big businessmen of the sector in Spain

set his place at the so-called “contracting table”. This was the unregistered *lobby* of brick and mortar bosses that periodically met to have lunch or dinner, share out public contracts and formulate lobbying strategies at reserved tables at exclusive restaurants in Madrid like Zalacáin or Jockey. By then, Florentino Pérez was accumulating ample experience and had had a brilliant career: he practically started from scratch and eventually managed to gain control of Cobra, OCP, Auxini, Dragados, Unión Fenosa, the German colossus Hochtief, Abertis...

In 1996, the PP first came into power in Spain. A year later, ACS was constituted, after the merger of OCP, Ginés, Invesan and Vesan. Florentino Pérez then pronounced a phrase which foreshadowed the construction fever to come: “We used to sell 1,000 million (pesetas) a year, and today, one billion a day.” Over the years, the ACS Foundation (the charitable arm of ACS) would become one of the main sponsors of FAES, the think tank of the PP led by former president Aznar.





CC CONVERGENCIA DEMOCRÀTICA DE CATALUNYA VIA FLICKR

Florentino Pérez in Madrid in 2010.

### THE EXPANSION ACCELERATES

In 2003, ACS took control of the giant construction company Dragados. Around that time the state government and several regional administrations of the conservative persuasion awarded it some of the main projects in Spain: the highway surrounding Madrid, several private highways, the suburban connection to Madrid's airport, the renovation of the Prado museums and the Reina Sofía, high-speed trains, the Valencia metro, the City of Arts and Sciences...

The developer's businesses began a process of diversification towards sectors also linked to the public sphere, such as waste collection, waste treatment, energy, mining, transportation and auxiliary and socio-sanitary services, from public parking management to hospital cleaning, through the lucrative businesses of nursery schools, migrant centres, nursing homes and even several police stations. Recently, in mid-2018, Florentino Pérez sold 11 police stations used by the Mossos d'Esquadra (Catalan police) to the British fund RiverRock.

### THE GALACTIC BUSINESSMAN

Florentino Pérez's leap to stardom was consolidated in the year 2000, with the arrival of his presidency of Real Madrid. The developer, football enthusiast and Real Madrid fan, had been aspiring to the post for years. One of the most important successes for his image came the following year: four skyscrapers that crowned the skyline of Madrid and bore his signature. Previously, the *Sports City of Madrid* had been located there, on land which was ceded by the city council decades ago on the condition that it be used for sports. In 2001, the mayor's office (governed by the PP), as well as all the other political parties - including the Izquierda Unida (United Left) - authorised Florentino Pérez to move the sports venue and build on the land. Only one councillor of the PSOE, Matilde Fernández, opposed him, later denouncing the decision in various media.

As soon as he became president of Real Madrid, Florentino Pérez appointed several senior officers of the Ministry of Development (under the control of the conservative party) as directors of the club. Precisely when former Minister Arias-Salgado left office, he became non-executive president of Carrefour Spain, whose first shareholder was the March Group, also the first shareholder of ACS.





# CASTOR: The failed project that epitomises Florentino

Florentino Pérez had to hear Maria Sirvent, a member of Parliament from the CUP (a Catalan leftist pro-independence party), define him in unkind words during her June 2019 appearance before the commission of the Parliament of Catalonia investigating possible irregularities in the Castor project. This undersea gas storage facility is one of the most controversial projects of his company, ACS.

"I have had nothing to do with this," said the head of ACS shortly before, going on to say that he regretted that the Castor case had become "a little politicised". The altercation with the Catalan representative who dared to interrupt his statement ended with an invitation from Florentino Pérez to Maria Sirvent to sit in the Santiago Bernabéu box at the Real Madrid stadium.

The case of the failed Castor project has become a symbol of the squandering and collusion between political and economic powers that citizens end up paying for.

The construction of the underwater gas storage facility, located in the waters off Castellón, was approved by the social democratic government of José Luis Rodríguez Zapatero (PSOE) in 2008. It began operating in 2012, without taking into account independent reports that questioned its usefulness and warned of the risks that it would entail.

After several villages near the facility registered around one thousand earthquakes, the Spanish authorities ordered its construction to be halted permanently in 2014. The project generated a debt of 1,350 million euros: 2,420 million including interest. Florentino Pérez was able to cash in everything, including a compensation for the concession's termination that contemplated 'fraud or negligence'. Now several banks that financed the costly compensation (Santander, Caixabank and Bankia) claim that Enagás (so to say the State) has to pay back that money through the citizens' gas bills; 1.3 billion that were paid to ACS for a project that never worked or will work.

Despite its large size, the Castor project was awarded, without public tender, to Escal UGS, one of the more than 1,200 companies under the control of the multinational ACS. The former PSOE minister Magdalena Álvarez, who was also vice president of the European Investment Bank (EIB), even modified the maritime boundaries of Catalonia and the Valencian Community (two of the most important regions of the Spanish State) to facilitate the project.

During his career, Florentino Pérez, specialising in large public works, has made numerous decisions that, under other circumstances, would be considered high-risk. The Castor project is a prime example. In the midst of the economic crisis, marked by austerity and cuts in social policies, the conservative then Prime Minister, Mariano Rajoy, ordered 1,350 million euros in compensation to be paid promptly to ACS for the shutdown of the facility.

However, the Constitutional Court halted the multi-million euro payment, including bank interest. Citizen organizations Xnet, the Observatori del Deute en la Globalització (ODG) [Observatory on Debt in Globalization] and the Institut dels Drets Humans de Catalunya [Catalan Human Rights Institute] created the citizen Castor Case platform and filed a criminal complaint against Florentino Pérez and eight others (including five former ministers) for possible crimes of prevarication, fraud and embezzlement: of public money. Rejected by the National Court and the Constitutional Court, work now continues to prevent citizens from having to once more face the possibility of assuming the payment of the compensation, with interest, again in their gas bills, or through the general state budget or other financial architecture mechanisms. In January of this year, the Association of Those Affected by the Castor Project succeeded in pressing charges for crimes involving the imprisonment of some of Castor's executives and compensation for the damages the earthquakes caused.

For its part, the EIB has already recognised that it did not evaluate the risk of injecting more than 1.4



CC PRESIDENCIA GENERALITAT / FLICKR

billion euros into co-financing the construction of the gas facility. Several previous and subsequent reports highlight serious environmental, social and economic risks of the project.

Likewise, the National Markets and Competition Commission (CNMC, after the Spanish acronym) must decide what happens with the debt of 1,350

million euros and the interest on it. The game is not over yet and any outcome is possible.

**José Bautista,**  
Group Caso Castor & La Marea

*The contents of each article are sole responsibility of its author/organisation*

» In 2001, at the dawn of the period in which Spain built more than Italy, Germany, the United Kingdom and France combined, ACS accounted for 21.3% of all works awarded by the Ministry of Development.

In 2015, the European magazine *Politica* points to Florentino Pérez as “one of the 12 men who ruined football” for his prioritisation of business over the sporting spirit. The businessman and his management team signed before a notary that they would not use Real Madrid for profit, but thanks to his trips with the team in white, Pérez has been able to access several Gulf petromonarchies, Asian countries such as China (during a team tour, ACS won the contract for the treatment of waste in Beijing), Japan and Thailand. More recently, Real Madrid has also taken him to Australia and, above all, Latin America.

### **THE EMPIRE IN WHICH THE SUN NEVER SETS**

An illustrative case occurred in December 2018, when the Bernabéu hosted the final of the Copa Libertadores, the main championship in Latin America, between the Argentine teams Boca Juniors and River Plate.

Just then, the Argentine Executive approved a decree to increase the profitability of access tolls to the country’s capital, a business in which Abertis has a notable presence, with concessions on a 30-year time horizon. A similar coincidence occurred in 2015. Shortly after appearing with President Juan Manuel Santos and announcing the signing of James Rodríguez, Florentino Pérez signed several megacontracts with the Colombian government for the construction of highways and tunnels.

The same happened in Mexico in 2014: two days before appearing with President Enrique Peña Nieto and announcing the signing of Javier Chicharito Hernández, several ACS subsidiaries signed multi-million euro contracts with the state-owned oil company Pemex, including several agreements now under investigation. A report by the Mexican magazine Proceso, published in June 2019, calculates more than 6 billion euros in public contracts in favour of Florentino Pérez in Mexico since 2003 and cites the case of Cobra, one of the most controversial subsidiaries of ACS. According to the Mexican magazine *Proceso*, Florentino Pérez consolidated his business interests in the country by “taking advantage of the international fame” of the club “to win the sympathies of the communities where it conducts its business”.

Some of the most explosive projects involving Cobra and other companies of the ACS group took place in Central America, especially in the indigenous territories of Guatemala. The OMAL (Multinational Observatory on Latin America) researcher Elena de Luis, co-author of several reports detailing the effects of the construction of the Renace II Hydroelectric Complex, explains to the project is involved in the violation of the rights of more than 30,000 indigenous Quekchis. In the affected area, in the mountains of the Cahabón River, there have been disappearances of community leaders that remain unsolved.

During an interview on TV3, Lolita Chavez, a Guatemalan indigenous leader, Florentino Pérez of “privatising the rivers that supply water.” “This project was installed in a framework of corruption that exists in our country,” says Isabel Solis, director of the Human Rights Commission of Guatemala, which provides legal assistance to the populations affected by the ACS hydroelectric plant, such as the indigenous activist Bernardo Caal, sentenced to more than seven

years in prison for resisting the project, or the journalist Rolanda García, of *Telesur*. This hydroelectric project was approved by the government of Otto Pérez Molina, in prison since 2015 for various corruption offences. A year before his arrest, the Guatemalan president posed smiling in a Real Madrid shirt next to Florentino Pérez.

“  
The ACS conglomerate has “  
live projects” in more  
than 70 countries.  
”

### **FRIENDS IN HIGH PLACES IN THE COURTS**

The entrepreneur’s network of contacts also reaches the highest levels of justice. It is one of the least explored networks of the developer, despite the number of judges and magistrates that accompany him in the Bernabéu box. The case of José Manuel Sieira Míguez, who has a first-class seat, stands out. Sieira Míguez is not just any judge: until mid-2015, he presided over the Contentious Cases Chamber of the Supreme Court, capable of overthrowing Government decrees and responsible for settling appeals filed against the decisions of the Council of Ministers, the General Council of the Judiciary, the Congress of Representatives, the Senate and even the Constitutional Court.

Among the former ministers for Justice who are regulars in the box are Mariano Fernández Bermejo and Rafael Catalá. In 2015, the UDEF suspected that ACS paid more than one million euros in fake invoices



CC-INSTITUTO GERVANTES DE TORIO / FELICKR

and gifts to the PP of Murcia in return for contracts connected to the desalination plant in Escombreras (Cartagena). ACS and its subsidiaries made more than 600 million euros through the contract. A reform of the Criminal Procedure Law, promoted by the PP government and approved in 2015 by order of Minister Catalá, could bring down the case, which is still going through the courts.

The Spanish justice system has never directly charged Florentino Pérez in a corruption case.

The name of the businessman is neither among those with charges in the last judicial process against one of his companies. At the beginning of January, Spanish Justice decided to bring Dragados to trial for possible crimes of prevarication and fraud in the contract to expand the port of El Musel (Asturias). The extra costs of this construction amounted to 251 million euros. The trial arrives ten years after the completion of the works.

The last scandal of the businessman, related to the Royal House, jumped into Spanish newspapers in January of this year. A labour inspection determined that the company Integra (belonging to Clece) commits "serious" infractions with its disabled assistants deployed in the Royal Palace to attend visitors, such as not respecting their rest breaks (with working hours of

11 hours per day on average), not paying extra worked hours or not having a contract.

The conventional press usually echoes the achievements of the developer in the international arena, such as the takeover of Hochtief, the German infrastructure and construction giant, or the entry of the Abertis Foundation into the UN Group for Road Safety. The most recent data from ACS reveals that Spain only represents 14% of its total turnover. It highlights the turnover of its companies in 34 of the 50 countries with the highest rates of corruption perception (according to the Transparency International classification) where ACS has various operations.

The most drastic cases take place in Latin America and Africa, where the developer usually takes on collaborative projects or public-private partnerships. For example, ACS recently signed an agreement with the government of the Democratic Republic of the Congo, one of the nations most afflicted with corruption and misery. The contract is worth 12,200 million euros, together with a Chinese company – equivalent to 40% of the country's GDP.

Florentino Pérez has avoided conflicts in the regions thanks to the structure of some of his companies, complex networks of overlapping companies in which project management is separated from legal and eco-





nomic aspects. Thus, it is more difficult to make claims against ACS and its subsidiaries when problems arise, as happened with the construction of the new international airport in Mexico City: Avanzia, an ACS subsidiary in charge of that project, was disqualified from competing in new public projects. The ban does not affect any of the other companies in ACS empire.

In December 2018, President Pedro Sánchez travelled to the inauguration of his Mexican counterpart, Manuel López Obrador, accompanied by several businessmen, including Eugenio Llorente, president of Cobra.

In Latin America, the developer's companies are also prone to the "revolving door" phenomenon, counting among their key players people from all kinds of high public positions, including former ministers, such as Francisco Gil Díaz, the former Mexican Secretary of Finance in Vicente Fox's government and President of Avanzia, the company that integrates ACS's business in Mexico.

### **IN TUNE WITH THE MEDIA**

Florentino Pérez "is not and never will be a shareholder of a media company," according to a source close to him. However, he knows the workings of the media business. Florentino Pérez maintains an intimate relationship

with the great *dinosaurs* of Spanish journalism, but also with some promising upstarts on the national scene.

In his book *The Director*, David Jiménez, former director of *El Mundo*, describes Florentino Pérez as one of "The Untouchables". In March 2018, ACS organised a press conference to declare that the newly bought Abertis would be integrated into the Hochtief matrix. Florentino Pérez cut off the journalists' questions a few minutes

later. As he left the room, Júlia Manresa, of the Catalan newspaper *ARA*, asked if Abertis would keep its brand. The developer stroked her face and said: "Everything will remain the same". Manresa published a tweet that was shared more than 6,000 times: "Today Florentino Pérez caressed my face to answer a question at a press conference as if it

were another of his many properties". None of the journalists present commented on the incident in public, although Manresa says she received several calls from fellow guild members who told her "you are very brave, because if this man chose, you would not work for the media again anywhere in Spain".

**José Bautista,**

Grupo Caso Castor & La Marea

*The contents of each article are sole responsibility of its author/organisation*

“  
Florentino Pérez “is not  
and never will be a shareholder  
of a media company.  
”

# LORINC MÉSZÁROS

## NET WORTH

1,1 billion euros (1,3 billion USD)  
in 2020 (Forbes)

⊖ more than 40,000 years  
of the average salary in Hungary

⊖ more than 160,000 years  
of the Hungarian minimum wage

## COUNTRY

Hungary

## SECTORS

Agriculture,  
Tourism, Banking, Railway  
and road constructions, Media,  
Telecommunication, Energy



CC BY-SA / WIKIMEDIA COMMONS

LORINC FOOTBALL ACADEMY AND STADIUM.

## “GOD, GOOD LUCK, AND VIKTOR ORBÁN”

One of the richest and most influential people in Hungary, Lőrinc Mészáros, formerly also served as the mayor and a local council member of Felcsút, the Hungarian Prime Minister's childhood village which owes its international fame to the football academy and stadium built there, just across the road from Viktor Orbán's weekend house.

A former gas and water pipe-fitter – now richer than the Queen of England, or the author of the Harry Potter books, or Cristiano Ronaldo – Mészáros is a childhood friend of Viktor Orbán's.

Mészáros once revealed that he and Orbán got closer when in 1999 Viktor Orbán joined the Felcsút foot-

ball club and wanted to make his dream of creating a football academy come true. When a foundation was created for this purpose, Mészáros was chosen to be head of the board.

In an interview Mészáros once admitted that “God, good luck, and Viktor Orbán” must have played a role in his career, though he added that he “never privatized, never stole anything”, but got hold of all he has “through hard work and his brain”.

## HEAD OF FOUNDATIONS, FORMER COUNCIL MEMBER AND MAYOR, BUSINESSMAN, MAJOR LANDOWNER

By now he has an estimated wealth of nearly 900 million euros (296 billion HUF), what which puts him next to the banking billionaire Sándor Csányi on the richest Hungarians list.

Mészáros's businesses are present in technically all the sectors: banking, insurance and pension funds, the hotel industry, campsites, wineries, and the energy sector. Here are a few of the “jewels” of the Mészáros empire listed in [Atlatszo's drone video](#) enumerating the assets of companies owned or controlled by Mészáros:

- › Kall Ingredients – a sugar factory in Tiszapüspöki
- › MKB Bank – the fourth biggest commercial bank in the country
- › Alkotás Point - office complex in Budapest
- › Echo TV – pro-government TV-channel
- › NAP TV building – the former headquarters of a media company
- › Hunguest Hotels – a hotel chain in Hungary
- › Balatontourist – a camping chain around Lake Balaton
- › Andrásy Residence – a hotel in the Tokaj wine region
- › Saliris Resort Spa – a luxury hotel and spa in Egerszalók

## KEEP IT IN THE FAMILY

[Atlatszo](#) revealed that companies owned or controlled by Lőrinc Mészáros won countless public tenders, the majority of them funded by the European Union. We described how not only Mészáros himself, but his entire family is apparently talented enough to get richer every day by winning taxpayer-funded public tenders. A company – Fejér-B.Á.L. – owned by his children was contracted to deliver two major public infrastructure projects in the town of Érd. This company also won – without tendering – a 36 million euros (12 billion HUF) contract from the football foundation headed by Mészáros himself. We calculated that Fejér-B.Á.L. makes a profit of more than 3000 euros (a million



HUF) every single day, mostly by winning high-value public tenders.

Other members of his family also get a piece of the cake: a company owned by his son-in-law, Zsolt Homlok, won a chunk of a railway project, while his brother is getting lucky with supplying equipment and clothing for infrastructure projects. Mészáros and his family are now at the first place on the family fortune list of the Hungarian *Forbes*.

Lőrinc Mészáros has also bought formerly state-owned properties or companies following a capital injection from public money.

### **MÉSZÁROS AND HIS COMPANIES ARE ONE OF THE LARGEST BENEFICIARIES OF AGRICULTURAL SUBSIDIES**

Mészáros's presence at the Budapest Stock Exchange (Appenninn, Opus, Konzum, 4iG, CIG Pannónia) is as successful as his business activities elsewhere. Two years ago Konzum was referred to by Bloomberg as "having the world's best-performing stock in the world, its shares soaring more than fiftyfold on the Budapest exchange at one point". Mészáros is a shareholder in a similarly well performing stock exchange company (4iG), which in 2019 acquired T-Systems, an IT company which won important government projects between 2016-2019. When Mészáros chose to buy up a media company, Mediaworks, the enterprise managed

to triple its advertising revenue in a year – by cashing in on governmental advertising campaigns.

The same is true for his agricultural enterprises: Mészáros and his companies are also one of the largest beneficiaries of agricultural subsidies in Hungary each year. In 2017 Atlatszo.hu spent months mapping the enormous sale of state farmland in 2015-16 across the country. We summarized our findings in maps and infographics. The key finding of the investigation was that the biggest beneficiaries of the farmland auctions were Lőrinc Mészáros and his family: they bought altogether 1550 hectares of formerly state-owned farmland.

An important feature of this business empire is the introduction of private equity funds headed by Mészáros or one of his companies. Investors in these remain hidden, ownership is difficult to attribute. Lőrinc Mészáros's wealth has grown so big by now, that some believe that a potential conflict between him and Viktor Orbán, or the bankruptcy of one of the Mészáros companies might create a sensitive situation for the Hungarian national economy as a whole.

**Gabriella Horn,**  
atlatszo.hu

*The contents of each article are sole responsibility of its author/organisation*



The cover of the Hungarian edition of *Forbes* when Mészáros. Became the richest man in the country

# CHRISTOPH BLOCHER

## NET WORTH

Swiss magazine *Bilanz* estimates Blocher family assets at 9-10 billion euros (10-11 billion CHF) in 2018.

⊖ more than 155,000 years of the average salary in Switzerland

## COUNTRY

Switzerland

## SECTORS

Chemicals, Media, Food

## COMPANIES

EMS-Chemie (CEO: daughter Magdalena Martullo-Blocher), Lächerli Huus (CEO: daughter Miriam Baumann-Blocher), Zehnder Regionalmedien (Christoph Blocher)

## POLITICAL PARTY

SVP (Swiss People's Party)



Christoph Blocher.

## CHRISTOPH BLOCHER, THE SWISS MOGUL OF RIGHT-WING POPULISM

Over the last few decades, Christoph Blocher has become a central figure in Swiss politics. Almost no one has shaped the country as much as the billionaire from Zurich's Gold Coast. Over just a few years, he has made the far-right national Swiss People's Party (SVP) the dominant political force in the country, using his magnificent Herrliberg villa as a backdrop for grandiloquent events.

The 78-year-old – who was already a wealthy industri-

alist when he became a politician – used the money from his company EMS-Chemie to lead his party to success. Like Italy's Silvio Berlusconi, Blocher has created an economic empire that also serves to finance his political party. He managed to build up a personal net worth of around 2 billion euros (2 to 3 billion CHF) using a simple strategy, which consisted of dismantling companies, like the aluminium manufacturer Alusuisse, and orchestrating calculated surprise attacks.

There are three distinct phases to Blocher's career: He began as a businessman, then went into politics, and eventually became a press mogul. And when that was achieved, he used the media outlets that either he or his family/friends had acquired to shift the public discourse as far right as possible. Blocher's biography is a perfect illustration of the decisive role played by big money on the Swiss political landscape.

## EMS-CHEMIE: LESS A FACTORY THAN "A KIND OF INVESTMENT FUND"

Blocher's path to the top began at the end of the seventies. Blocher, the son of a Protestant minister and the seventh of eleven brothers and sisters, studied law, expressing fierce opposition to the 1968 student protests. His meteoric career began with a part-time position in the legal department of the company EMS-Chemie. Two years later he was already named Secretary General, and by the early eighties he owned the majority of the company's shares. Towards the end of the Second World War, the chemist Werner Oswald founded his company in Donat – and began distilling alcohol from wood waste. Before Blocher took over, the company, which sold high-performance polymers and specialty chemicals, was in financial strife due to the 1973-75 global recession.

There are numerous rumours as to how Blocher took over the family-owned company, EMS-Chemie. According to Swiss newspaper *Tages-Anzeiger*, after Werner Oswald's death, Blocher, as the new manager, advised the Oswald family to sell the company. He immediately took over negotiations himself – and promptly presented a mysterious buyer who promised to honour the owners' key condition: that there would be no job cuts. After a long negotiating period, the family finally sold the company to the wealthy stranger for a then cheap twenty million Swiss francs. The mysterious stranger turned out to be Christoph Blocher himself.

For twenty years, the industrious industrialist remained at the head of the group, with an approach that involved heavy speculation on stock markets.

CC INTERNATIONAL STUDENTS' COMMITTEE / WIKIMEDIA COMMONS





EMS-Chemie resembled less a factory than “a kind of investment fund”, as the liberal newspaper *NZZ* described it in the late eighties. Blocher’s second career, in politics, reached its heights when he was elected to the SVP state government in late 2003. He subsequently sold the company shares to his four children and his eldest daughter, Magdalena Martullo-Blocher, took over as CEO of EMS-Chemie.

### **THE COMPANY AND THE PARTY MANAGED LIKE A FAMILY BUSINESS**

Swiss magazine *Bilanz* estimates the Blocher family’s assets at 9-10 billion euros (10-11 billion CHF) in 2018, making it one of Switzerland’s top ten richest families. What is striking is that Blocher has always managed both the company and the party like a tightly-run family business, with succession an internal matter. Not only did Magdalena Martullo-Blocher take over as CEO; the 50-year-old has also been a member of parliament for the SVP since 2015. She was elected vice-president of SVP after Blocher’s resignation in 2016.

Even before the family took over, Blocher began rebuilding the party to his liking. In 1977, he was elected president of the Zurich SVP. He did a complete organisational overhaul, relying on a tight hierarchy and few confidants. The SVP had never been so successful. Blocher was elected to the National Council (the lower house of the Swiss Parliament) from 1979 to 2003. With Blocher’s wealth and the millions in cash injections from other patrons – including car importer Walter Frey and private banker Thomas Matter – the financial clout increased considerably. And with it, the party’s political sway. Brandishing the slogan “Back Blocher! Vote SVP”, the right-wing populists triumphed in the 2007 elections. The direction taken by Blocher’s SVP was quickly sketched out. Despite a brutally neo-liberal economic policy that would benefit corporations and millionaires, the party sold itself as “the party of the people”. Its racist stance against refugees and other minorities has created a hostile climate in the country. Other European parties such as the National Rally in France, the AfD in Germany and the Vlaams Belang in Belgium have reproduced its policies.

### **THE THIRD CAREER: THE MEDIA**

In 2007, something almost completely unexpected happened: Blocher lost the election to the federal council to his party colleague Eveline Widmer-Schlumpf, who ran against the SVP. Blocher had announced that he would enter the media world if he was voted out of office. When this happened, he embarked upon his third career and vowed to turn the Swiss media landscape upside down. Blocher’s political protege,

Roger Köppel, had already acquired *Weltwoche* in 2006, backed by right-wing conservative financiers such as Ticino-based investor Titto Tettamanti. In late 2014, Blocher acquired shares in *Basler Zeitung*, and then sold them, acquiring the free newspaper empire *Zehnder*.

Although Christoph Blocher may have officially retired from politics, he has always played a prominent supporting role. The media have always focussed on the rise of the SVP, with a very Blocher-focussed approach, but now the party is free to plaster its agenda all over the front page and use its own media to run political campaigns. He may be in the background, but Blocher continues to pull the strings. A film entitled *The Election Campaign (Der Wahlkampf)* has been released by the SVP a few weeks before the Swiss parliamentary elections of October 2019. The film aimed to encourage young people to vote. Once again Christoph Blocher has landed the leading role.

**Anna Jikhareva**

*The contents of each article are sole responsibility of its author/organisation*

# The European map of billionaires

**ICELAND**

**THOR BJORGOLFSSON**  
1.9 billion euros  
investments

**UNITED KINGDOM**

**JIM RATCLIFFE**  
11 billion euros  
Oil and chemicals (INEOS)  
Football : OGC Nice

**MICHAEL PLATT**  
7.2 billion euros  
Hedge funds

**DAVID AND SIMON REUBEN**  
6.7 billion euros  
Real estate, metal trade,  
technologies

**IAN & RICHARD LIVINGSTONE**  
6.2 billion euros  
Real estate

**FRANCE**

**BERNARD ARNAULT**  
63.4 billion euros  
luxury goods (LVMH)

**FRANÇOISE BETTENCOURT MEYERS**  
50 billion euros  
L'Oréal

**FRANÇOIS PINAULT**  
30 billion euros  
Luxury goods (Kering)

**ISKANDAR SAFA**  
1,1 billion euros  
Naval vessels, Media

**IRELAND**

**JOHN GRAYKEN**  
Unknown  
Private equity (Lone Star Funds)

**DENIS O'BRIEN**  
Unknown  
Telecom (Digicel)

**JOHN DORRANCE, III.**  
2.3 billion euros  
Food industry (Campbell soup)

**PORTUGAL**

**MARIA FERNANDA AMORIM**  
4.5 billion euros  
Energy, investments

**SPAIN**

**AMANCIO ORTEGA**  
62.4 billion euros  
Fashion, retail (Inditex, Zara)

**SANDRA ORTEGA MERA**  
Unknown  
Fashion, retail (Inditex, Zara)

**MIGUEL FLUX ROSSELLO**  
3 billion euros  
Hotels

**FLORENTIO PÉREZ**  
1,8 billion euros  
Construction (ACS)

**BELGIUM**

**ERIC WITTOUCK**  
6.8 billion euros  
Investments (Weight Watchers)

**ALBERT FRÈRE**  
5 billion euros  
Steel, Energy, Investments

**NETHERLANDS**

**CHARLENE DE CARVALHO HEINEKEN**  
14.1 billion euros  
Beer (Heineken)

**FRITS GOLDSCHMEDING**  
4.1 billion euros  
Staffing company (Randstat)

**HANS MELCHERS**  
2.4 billion euros  
Investments, chemicals

**JOHN DE MOL**  
1.5 billion euros  
Television (Endemol)

**SWEDEN**

**STEFAN PERSSON**  
16.3 billion euros  
Textile (H&M)

**JORN, FINN AND KIRSTEN RAUSING**  
17.6 billion euros  
Packaging (Tetra Pak)

**DENMARK**

**ANDERS HOLCH POVLSEN**  
7 billion euros  
Fashion retail (Bestseller)

**NIELS PETER LOUIS-HANSEN**  
5.3 billion euros  
Medical devices

**POLAND**

**MICHAL SOLOWOW**  
2.8 billion euros  
Investments

**ZYGMUNT SOLORZ-ZAK**  
2.7 billion euros  
Broadcasting (Polsat)

**LITHUANIA**

**NERIJUS NUMAVICIUS**  
0.9 billion euros  
Retail, pharmacy

**CZECH REPUBLIC**

**PETR KELLNER**  
14 billion euros  
Finance, telecommunications

**ANDREJ BABIS**  
3.2 billion euros  
Agriculture

**ROMANIA**

**ION TIRIAC**  
0.9 billion euros  
Banking, insurance

**SLOVAKIA**

**IVAN CHRENKO**  
1.4 billion euros  
Real estate

**HUNGARY**

**LORINC Mészáros**  
1 billion euros  
Diversified

**CYPRUS**

**JOHN FREDRIKSEN**  
10 billion euros  
Shipping

**YAKIR GABAY**  
3.2 billion euros  
Real estate (Aroundtown SA)

**GREECE**

**PHILIP NIARCHOS**  
2.5 billion euros  
Art collection

**SPIRO LATSIS**  
2.9 billion euros  
Banking, shipping

**AUSTRIA**

**DIETRICH MATESCHITZ**  
Unknown  
Energy Drink (Red Bull)  
Football : RB Leipzig

**JOHANN GRAF**  
Unknown  
Casinos (Novimantic)

**ITALY**

**GIOVANNI FERRERO**  
20 billion euros  
Food industry (Ferrero)

**LEONARDO DEL VECCHIO**  
22 billion euros  
Eyewear (Luxottica, Rayban),  
real estate (Covivio)

**AGNELLI**  
12 billion euros  
Automobile industry (Fiat)

**GIORGIO ARMANI**  
9.5 billion euros  
Luxury goods

**SWITZERLAND**

**GIANLUIGI & RAFAELA APONTE**  
10.6 billion euros  
Shipping

**ERNESTO BERTARELLI**  
7.3 billion euros  
Biotech, investments

**MARGARITA LOUIS-DREYFUS**  
4.7 billion euros  
Agricultural commodities (Louis-Dreyfus)

**MIRIAM BAUMANN-BLOCHER, MAGDALENA MARTULLO-BLOCHER AND MARKUS BLOCHER (CHILDREN OF CHRISTOPH BLOCHER)**  
7.1 billion euros  
Chemicals (EMS-Cehmie)

**GERMANY**

**BEATE HEISTER & KARL ALBRECHT JR.**  
31 billion euros  
Supermarkets (Aldi)

**DIETER SCHWARZ**  
17.5 billion euros  
Supermarkets (Lidl)

**SUSANNE KLATTEN**  
18.5 billion euros  
Automobile industry (BMW)

**STEFAN QUANDT**  
16 billion euros  
Automobile industry (BMW)

**NORWAY**

**ODD REITAN**  
5.2 billion euros  
Grocery stores (Reitangruppen)

**KJELL INGE ROKKE**  
3.2 billion euros  
Shipping, seafood

**FINLAND**

**ANTTI HERLIN**  
4.6 billion euros  
Elevators (Kone Corporation)

**MIKA ANTONEN**  
1.8 billion euros  
Oil and gas

# FERRERO

# FAMILY

## NET WORTH

28 billion euros (31 billion USD)  
in 2017 (Forbes)



more than 155,000 years of the  
average salary in Switzerland

## COUNTRY

Italy

## SECTORS

Food Industry

## COMPANIES

Ferrero (Nutella, Kinder, Tic Tac...)

## FERRERO: A SWEET TALE OF CAPITALISM

Perhaps the best way to get to know Alba, a small town in the province of Cuneo, in the Piedmont region, is to open a book by Beppe Fenoglio, one of the major Italian writers of his time. He wrote extensively about the city and the surrounding hills, the Langhe, in novels and short stories about poverty, resistance and love.

The city is just an hour out of Turin and, since 2016, some thirty daily train connections make it easy to access the regional capital. This is all on account of the Ferrero family, which wanted its top executives to be able to travel easily between the two cities. Alba is also famous throughout Italy for its history as the first city to free itself, all on its own, from fascist oppressors. The town's great writer Beppe Fenoglio sets his story *I ventitre giorni della città di Alba* [*Twenty-Three Days in Alba*] against the backdrop of the short-lived Partisan Republic. Alba was otherwise nothing but a somewhat sleepy town amidst a remote countryside. Until the "economic miracle" of the 1960s, most of its youth dreamt of a better future beyond Italy's borders.

Yet Alba's location is close to ideal, sitting halfway between Turin and Genoa, two of the three corners (along with Milan) of the so-called "industrial triangle" of Italy. Although Turin had, since 1899, been able to count on Fiat to provide jobs for the local working class and for farmers seeking to escape the miseries of Mezzogiorno, and although other smaller cities such as Ivrea reaped the benefits of Italy's industrial cham-

pions like Olivetti, Alba has long seemed stuck with its "bad luck" – *La Malora*, as Beppe Fenoglio called it. The writer himself worked until his early death in 1963 in the agricultural sector, exporting wine to foreign markets. Wine is one of the few local riches, still under-exploited, along with the production of truffles. "I write," he told his wife, "because in fifty years everybody will have forgotten how we starved here."

## FROM SMALLTIME PASTRY CHEF TO INDUSTRIALIST

The story that changed the fate of the Piedmontese town began in 1942. With fascism and war, Italians had to resort to ersatz goods. Exotic produce was scarce, leaving cooks, pastry chefs and ice cream makers to rely on their own resourcefulness and ingenuity. Their innovations, however, were not always successful. Pietro Ferrero was born in the Langhe and grew up in Alba, before trying his luck as a pastry chef in Turin's upperclass areas. Although he was unsuccessful in Turin, and was forced to return to his childhood home, he didn't give up on his ambitions, and his shop on via Maestra, the commercial and fashionable street of downtown Alba, carried a lustrous whiff of big city life. It was called "I Biffi", named after a famous Milanese shop in Gallery Victor-Emmanuel II.

Pietro Ferrero also acquired a workshop in via Ratazzi, a quieter street a few hundred metres from his shop. As chocolate was both scarce and expensive, he took up the idea of substituting it with hazelnuts – an abundant local produce, which also happened to be five times cheaper. Although it is said that he was the first to come up with this combination, this is not entirely true. It could be found in Turin as early as the 19<sup>th</sup> century, under the name *Gianduja*, after the famous Italian puppet, similar to France's *Guignol* of Lyons.

In 1946 Pietro began selling cheap hazelnut chocolates to children under the name Gianduja (then Giandujot). That same year, he turned his little workshop into an industrial firm, which met with immediate success. He bought a factory close to the railway station on via Vivaro – and the Ferrero Foundation still sits opposite the Nutella production site. In 1948, flooding brought torrents of mud inside the factory, all the way to the production line. Workers came to the rescue, however, and the company was able to quickly resume operations. Pietro Ferrero died of a heart attack the following year, at only 51, seemingly exhausted by unceasing labour, leaving his brother Giovanni and his son Michele to take over the business. They already owned a dozen delivery trucks, but they continued to build up their fleet over the 1950s, eventually becoming the country's second biggest truck fleet after the army.



© OLIVIER FAVIER

#### The plant in Alba.

In 1949, the company created “Supercrema” – a chocolate hazelnut spread that was eventually to become Nutella. In 1957, Giovanni died and thirty-two-year-old Michele Ferrero became the sole boss. The year before, he had devised a brilliant publicity stunt using the “*treno dei bimbi*”: The truck, painted to look like a train, in Ferrero’s colours, travelled across Italy, distributing chocolates to children at fairs and carnivals. It was the dawn of consumerism. People were beginning to realise that business was no longer about meeting needs, but about creating them. “Good ideas conquer the world,” was Ferrero’s advertising slogan at the time.

#### A FAMILY BUSINESS

Ferrero’s success was less about technical innovation than an obsessive preening of the Ferrero image. A 2009 survey revealed that, out of six hundred of the world’s biggest companies, Ferrero had the best image, just above Ikea. In a town with a long line of Christian-Democrat mayors, from the Liberation to the early 1990s, Michele Ferrero fitted in perfectly. As a devout catholic, he took his top executives every year to Lourdes. He was deeply respectful of his employees, continuing a paternalistic tradition that was very different from the socialism of Camillo and

Adriano Olivetti, declaring that he “made his own kind of socialism.” Although, despite political differences, he later befriended Silvio Berlusconi, he ultimately remained a political moderate. More recently, his heirs have funded the new political party of Matteo Renzi, the former Democratic Party leader who now dreams of recreating the centre-right force that has dominated the Italian political landscape for nearly half a century.

In 1956 Ferrero opened its first factory outside Italy, in Stadtallendorf, in Western Germany. Four years later it opened another one in France, in Villers-Ecalles, Normandy. In 1965, a second Italian factory opened in Pozzuolo-Martesana, again in the North of the country, between Milano and Bergamo. It was also during these “Dolce Vita” years that two of Ferrero’s flagship products were launched: the “Mon Chéri” chocolates [1958] and “Nutella” [1965], the ultimate outcome of Pietro Ferrero’s innovations. The company followed the same model, developing pseudo-luxury products intended for mass-consumption, with names taken from different languages designed for a European market. Nutella was coined from the English “nut” with an Italian diminutive. “Mon Chéri” and “Rocher” play on the clichés of French chic. “Kinder” [children] was initially a brand created by Ferrero’s German subsidiary, established in 1967, but the name proved easily exportable and was adopted for the global market. And





CC PALAZZO OHIGI / FLICKR

Former Italian Prime Minister Matteo Renzi at the funerals of former CEO of Ferrero Michele Ferrero, in 2015.

the “Tic-Tac” mints, created in 1971, plays on an Italian onomatopoeia that exists also in French and Spanish.

Ferrero seems to thrive on apparent contradictions. Its chocolates are mass-produced but have individual wrappings, usually reserved for artisanal delicacies. It opened factories in Australia and Ecuador in the 1970s while retaining its image of an Italian family business. Its expansion continued into the 1980s, and it wasn't long before the company was present in all four corners of the world. By 2015, around 50 countries were selling Ferrero products. The company has twenty factories and ten agricultural sites. Italy accounts for less than a fifth of the net consolidated sales of what is now a powerful transnational corporation, the Ferrero International SA holding company, headquartered in Luxembourg since 1973. Only the headquarters of its Italian subsidiary remain in Alba. The Ferrero family is a tax resident of Belgium, its cash reserves are in Monte-Carlo, its assets in the Netherlands. Running the business, however, remains an exclusive family affair. Although it is the second biggest chocolate-maker in the world (after Mars), towering above Swiss giants Nestlé and Lindt, Ferrero is not a listed public company.

## A WELL-RESPECTED LOCAL LEGEND

For the people of Alba, Ferrero is a local legend. In 1983, Michele Ferrero established the Ferrero Foundation, and its various “social projects”, as a way to keep up the fiction of a family business. Retired employees that have spent 25 years within the company have access to the Foundation – although the increased use of casual, temporary work over recent years has meant such employees are becoming a rare breed. Since 2009, it has had its own kindergarten, and now also has a school. Located just across from Ferrero's historic factory where lorries carrying raw materials come and go all day long, the Foundation's building has the typical understated style of Piedmontese architecture, reminiscent of the austere, rectilinear façades of the stunning aristocratic palaces of Turin's Monarchy. Beyond the metal gates is a 1960s-inspired bar, where former employees can come for a drink. The building has several workshops, health and fitness rooms and medical facilities, and opens out onto a park full of lofty trees. Its corridors are lined with historic photographs of the family's industrial saga. The second foyer boasts an exquisite collection of posters, designed by Franco Fontana for Alba's truffle fair. Other posters in the collection can be viewed at Casa Fenoglio, a museum and study centre dedicated to Beppe Fenoglio, the great local writer... also funded by the Ferrero Foundation. The Foundation organises internationally-renowned art exhibitions every second year. The most recent, a surrealist exhibition, attracted more than 100,000 visitors and was developed in partnership with a Rotterdam museum – another sign of the Ferrero family's close ties to the Netherlands and its attractive tax policies.

Most of Alba's residents continue to cultivate the legend of the Ferrero family, whether they are former employees or not. They like to remember how, as the company began to expand, bus lines were created just to allow workers from the countryside to come work at the factory. They also like to tell stories about the terrible 1994 floods, which killed 70, and how many workers rushed to rescue their factory when it was devastated by the flooding Tanaro river, just as they had in 1948, several even neglecting their own homes. They like to compare the virtuous chocolate factory, which has maintained a local factory, to Alba's other famous company, Miroglio, which now has its clothes made in factories in Eastern Europe. There are also the stories of the two companies' very different working conditions. Many fondly point out that there has never been a strike at the local Ferrero factory.

Two particular moments form part of the town's collective memory. In 2011, 47-year-old Pietro Ferrero, »»

# Hazelnut monoculture is back to Italy

In July 2019, Stefano Liberti and Angelo Mastrandrea, two seasoned journalists, published a scathing report on Ferrero in the Italian monthly *Internazionale*. Stefano Liberti criticised the company's stranglehold over large parts of Turkey's agricultural sector, especially hazelnut production, one of the country's main riches. It is said that Ferrero has pushed prices down, impoverishing what was until recently a prosperous agricultural industry. One of the journalists even portrays Ferrero as Turkey's "real Minister for Agriculture". For once, the company paid heed to criticism that it was profiting from cheap hazelnuts picked by child workers and Syrian refugees. As Ferrero used to source its hazelnuts locally from the Langhe, its proposed solution was to relocate part of its supply chain. Coincidentally, the European Union's new rural development plan for 2020-2024 also recommends the expansion of hazelnut monoculture in Italy.

But, as Angelo Mastrandrea points out, hazelnut monoculture would only superficially benefit the economy of the affected areas, and would be problematic from an environmental perspective. A few months earlier, the film director Alice Rohrwacher, who was born in the region of Orvieto and still lives there today, conveyed the concerns of small local farmers in the centre-left newspaper *La Repubblica*. These farmers are most likely to bear the brunt of the EU's plans. Many of them have returned to the countryside after a spell of city life, and have chosen production methods that focus on quality produce and on respecting the environment. As Rohrwacher's column did not elicit any reaction, there is increasing concern among them. "It is the first time that a company has had such an influence on EU policy," say Elisa and Giovanni, who settled in the Viterbese six or seven years ago. After studying engineering and political science, they traded in potentially lucrative careers to produce organic oil and wine. They are active members of *Comunità Rurale diffusa*, an informal collective of about 40 people who sell their products together at a market twice a month. These markets are also cultural occasions, with book presentations and film screenings, and aim to preserve the social fabric of a neglected region, on the fringes of Tuscany, Umbria and Latium.

Members of the collective fear they will become the collateral victims of Ferrero's plans. In areas that have already been converted to monoculture (wine and hazelnuts), pollution has put an end to swimming and fishing in local lakes. The long-term impact on groundwater is disastrous, and neighbouring farms face losing their organic certification. The owners that have opted for intensive farming typically don't live on the land, leaving it to outside providers to care for their trees. Maintaining a hectare of hazelnut trees requires no more than 40 days of work over the first five years, before the trees are mature enough for production. The benefits in terms of job creation are therefore marginal, and local people don't necessarily benefit from the jobs. Organic farmers must also wait five years before they can request financial support for organic production. It is therefore very probable that the first harvest will mean a return to conventional methods. This includes heavy pesticide use in order to keep the hazelnuts perfectly white, as required by Ferrero, as well as glyphosate spraying just before harvest to ensure the ground is bare, so that hazelnuts can be machine-picked off the ground.

For the moment, the high price of hazelnuts is attractive to many landowners, convinced they are getting a good deal. "But the ultimate client is a quasi monopoly," argues Elisa. "Prices will fall, I'm sure of it." Unfortunately, public opinion is not necessarily on her side. It's all too easy for Ferrero to play the ethical "Made in Italy" card, even though, at this stage, these plans only represent a fraction of its supply chain. "It is also difficult", Elisa goes on, "to explain to people that planting trees is not always a good thing, because all monoculture destroys the soil."

**Olivier Favier**

*The contents of each article are sole responsibility of its author/organisation*



» son and heir of Michele Ferrero, died suddenly of a heart attack, and his father stoically returned to work as if going back to his family duties. Four years later, the patriarch himself died at the age of 89. A local resident who attended his funeral stated that, although he didn't know Ferrero personally, he was struck by a profound sense of loss. A city square now bears his name, with a sign that relays the town's history. Michele Ferrero is depicted as an "outstanding businessman and human being". Aside from the factory and the Foundation, the sign is the only place where the family's name is publicly visible. There is no trace of Ferrero's original shop; the company hasn't opened a store in the city alongside the legions of wine and truffle dealers. Nobody seems to notice the pungent smell of cocoa that hangs over the city, sometimes referred to as the "cloud", *la nube*; "We're used to it," is what most of the locals say.

### **A TARNISHED IMAGE IN ITALY AND BEYOND**

Things are not quite so rose-coloured, however, outside the family's home town. In the spring of 2019, for the first time, there was a week-long strike at Ferrero's largest production site, in Villiers-Écalles (France). Several months earlier, French supermarkets that had advertised massive discounts on the price of Nutella were confronted with full-scale riots, which revived criticism of the product's hidden flaws. High in refined sugars, the famous spread has more in common with soft drinks and fast-foods than to the nutritious food that children need as a daily staple. In 2011, a mother from California sued Ferrero for misleading advertising, as it claims that its flagship product is "healthy," and paints it as an example of a "tasty yet balanced breakfast." The following year, Ferrero agreed to pay 3 million dollars (2,7 million euros) to settle the lawsuit. In 2016, the death of a three-year-old girl from Toulouse, who choked on a Kinder toy, raised the question of whether it makes sense to put a small plastic object in a food product, especially if intended for young children. The USA settled the question years ago, with its 1983 law banning all Kinder Surprise imports, even for private consumption.

Palm oil, which has become a symbol of both junk food and deforestation, is another bone of contention – at least outside of Italy, where public opinion so far has remained somewhat indifferent to the issue. The cheap oil is one of Nutella's key ingredients, and competitors often point out that their own versions of the spread have "no palm oil." Ferrero, however, refuses to give up on palm oil, arguing that it is highly nutritious and can be produced sustainably, even though existing labels are controversial because the companies

that benefit from them are both judge and jury. Unlike its competitors, Ferrero has shown no interest in the organic market either, probably because the sector seems negligible compared to the masses lured in by the low price of Nutella. More recently, in 2016, the German NGO Foodwatch found fault with Ferrero's individual wrappers, one of the company's trademarks, as they contaminate food products with potentially carcinogenic substances. Again, Ferrero merely responded that its production processes comply with existing norms.

In its native country, Ferrero is the paragon of the Italian business, family-owned, innovative and proud of its traditions. Giovanni Ferrero, Pietro's younger brother, is, like his father before him, the richest man in Italy. Since 2018, he has owned two thirds of the company, or about 19 billion euros (€21bn), which makes him number 47 on the world's richest list. His management style, however, is radically different from his predecessors', who emphasised moderation even as the family group expanded and became a European, and then international, food giant. From 2015 onwards, in order to achieve the annual growth rate of 7% which would double the size of the company in ten years, Giovanni Ferrero broke a family taboo by embarking on a frenzy of acquisitions. Against the prevailing trends in the sector, his targets have been producers of cheap low-quality merchandise, which could harm the company's reputation in the long run, especially as it has lost its edge in developing innovative products.

Whether it be palm oil or hazelnuts, cocoa or sugar, both producers and consumers are on the losing side of Ferrero's version of capitalism. Perhaps it is time to give some serious thought to the question used by Ferrero in one of its advertising campaigns: "What would the world be without Nutella?"

**Olivier Favier**

*The contents of each article are sole responsibility of its author/organisation*



# ALBERT FRÈRE

## NET WORTH

5 billion euros (6 billion USD)  
in 2018 (Forbes)

⊖ more than 128,000 years  
of the average salary in Belgium

⊖ more than 313,000 years  
of the Belgian minimum wage

## COUNTRY

Belgium

## SECTORS

Steel, Energy, Investments

## COMPANIES

Groupe Bruxelles Lambert,  
LafargeHolcim

## ALBERT FRÈRE AND GROUPE BRUXELLES LAMBERT: FROM THE DECLINE OF THE BELGIAN STEEL INDUSTRY TO THE SYRIAN CIVIL WAR

Albert Frère, Belgium's wealthiest man, died in December 2018 at the age of ninety-two. As a key shareholder in Total, Engie, Lafarge and Pernod Ricard, he was tightly affiliated with the top French companies and with French politicians such as Nicolas Sarkozy. He cashed in on the Wallonia steel crisis in the seventies and eighties, profited from the sale of Belgium's top companies to French transnational corporations and has been implicated in Lafarge's involvement with Daesh in Syria. His career is a compendium of recent economic history: a tale of companies increasingly subjected to the demands of the financial world and to shareholders' limitless greed, of governments doing away with industrial policies, and opening up the field to unscrupulous businessmen operating in a world where human rights and environmental concerns always come second in line to business interests.

Behind the "master industrialist" celebrated by the French and Belgian media when Albert Frère passed away, there was the Groupe Bruxelles Lambert (GBL). The holding company owned by Frère and the Quebec Desmarais family, was a key asset in building the Belgian businessman's great fortune, a man whose net worth *Forbes* estimated to be at around five billion euros in 2018.



CC BY-SA VIA TOUR / WIKIMEDIA COMMONS

The Cockerill-Sambre plant in Belgium.

## A NINETEEN BILLION DOLLAR HOLDING COMPANY HIDING IN THE SHADOWS OF THE CAC40 HEAVYWEIGHTS

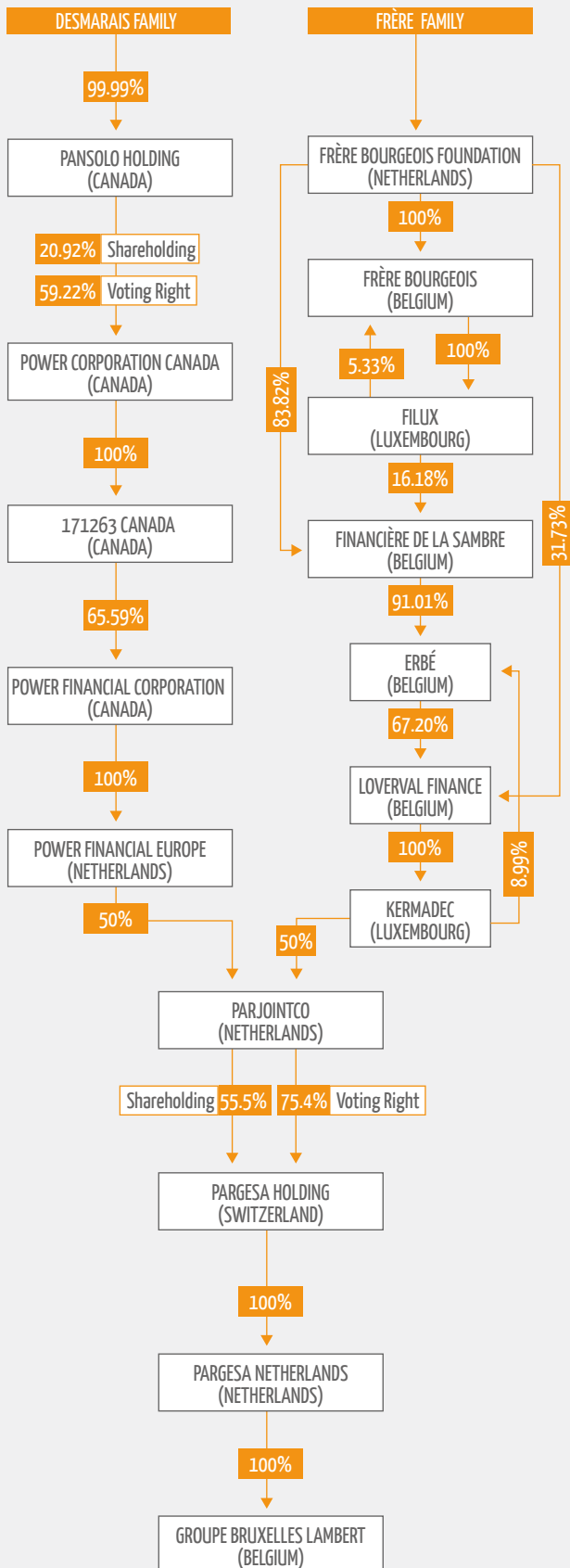
Never heard of Groupe Bruxelles Lambert? Although it boasts a portfolio evaluated at nineteen billion euros, the company remains relatively unknown. And yet any story about job cuts, measly salaries, generous dividend pay-outs, environmental pollution, corruption allegations on the other side of the world involving transnational corporations such as Total, Lafarge, Pernod Ricard and Adidas, is also in a way a story about GBL. It is one of those holding companies through which wealthy families hold majority shares in a number of corporations, playing a key role in influencing these companies' corporate strategies and decisions. These holding companies often operate by stockpiling companies located in Belgium Switzerland, Luxembourg and the Netherlands, which has the dual benefit of reducing their tax bill and enabling them to increase their investment capacity by making the capital of these companies available to minority shareholders while they retain control. This is exactly what GBL did. By putting a chunk of their assets in GBL, Albert Frère and his family found themselves sitting, with the Desmarais family, on a nineteen billion dollar portfolio.

It's not easy to pinpoint a consistent industrial strategy behind Groupe Bruxelles Lambert's current holdings which range from cement (LafargeHolcim) to sports and fashion (Adidas, Burberry), as well as alcoholic beverages (Pernod Ricard), oil (Total), ore extraction and processing (Imerys, Umicore), inspection and verification (SGS), disposable hygiene products (Ontex), amusement parks (Parques reunidos), agri-food technology (GEA) and finance (Sienna Capital). Albert Frère's family also directly owns a 0.6% share of Total as well as of another smaller holding company:





**SHAREHOLDING STRUCTURE**



the Compagnie nationale à portefeuille (CNP), which owns 7.2% of shares in French television M6, as well as a company implicated in unconventional gas projects in former coal mines in Belgium and Northern France.

**PUMPING OUT DIVIDENDS...**

The only distinguishable constant between all GBL's investments is quite simply the priority made to paying out shareholders. GBL received 461 million euros in dividends in 2017, the majority of which came from LafargeHolcim, SGS and Imerys. Despite fluctuating profit margins over the years, dividends paid out by GBL to Albert Frère and his family have steadily increased, jumping from 229 million euros in 2006 to 484 million in 2017 (see the table below). Between 2010 and 2015, after the ripples of the financial crisis, GBL's profit climbed to just 818 million euros, but the holding company dished out no less than 2.6 billion euros in dividends to its wealthy shareholders.

Firms under the holding company's control often took a similar approach in their business dealings. Engie's (previously GDF Suez) tendency to pay out huge dividends despite financial losses has been the subject of much criticism. Between 2009 and 2017, the company paid out over 29 billion euros to its shareholders, three times more than its profits over the same period (9.7 billion). In 2013 and 2015, Engie even paid out substantial dividends despite a loss of several billion euros. GBL was at this time one of the utility company's main shareholders, along with the French government, which validated this strategy.

Two years ago Albert Frère and GBL sold their shares in the French utility company that helped build their fortune. They also reduced their shares in Total. GBL's portfolio has been radically restructured, with 14 billion euros in sales and acquisitions since 2012. According to Gresea, this is a sign that it had decided to forego industrial purpose and were operating according to a purely financial logic: "No longer was there any interest in creating an empire; the only concern was building a structure that could rake in as much money as possible." In 2015, the patriarch stepped down from the group's operational management, handing over the reins to his son-in-law Ian Gallienne and his loyal friend Gérard Lamarche.

**FROM THE NAILS SHOP TO THE NOBILITY**

Although Albert Frère was given the title of Baron by the Belgian King in 1994 and is now celebrated in his native country, he was for a long time looked down upon by the country's ruling elites. The Belgian aristocracy saw Frère as just a petty "nails dealer" due



CC BENJAMIN ZINGG / WIKIMEDIA COMMONS

In 1998, Albert Frère took over with Bernard Arnault Château Cheval Blanc, a winery located in Saint-Émilion.

to the fact that he began his career by taking over his parents' nails and chains factory in Charleroi, just after the Second World War. The key moment in his rise to riches was in 1982 with the acquisition of the Groupe Bruxelles Lambert – a prestigious finance company that had been around since the nineteenth century and that had stakes in a number of Belgian companies.

At the turn of the seventies and eighties, Albert Frère indeed managed to capitalize on the situation for his own personal gain, particularly the declining Wallonia steel industry where he carved out an increasingly important place for himself. His virtual monopoly on steel sales, automatically receiving a commission for every ton sold, meant that he could be sure of an easy profit, despite the fact that the sector was collapsing. There were thousands of job cuts in the steel industry between the seventies and nineties. The Belgian government had to intervene and invested a substantial amount in restructuring the sector. And when the government sought to take back control of steel sales, Albert Frère set a high price: two billion Belgian francs – what those on the inside of GBL were to call “the dowry” – the initial sum that would enable the businessman to launch into other acquisitions. In 1981, socialists' came to power in France – another

factor that was to help the businessman on his way. The French bank Paribas, at risk of being nationalised, contacted Albert Frère, with whom it had a long partnership, requesting him to protect some of its assets. Frère's solution was to put these assets in subsidiaries based in Switzerland and Belgium, with the condition that Paribas would hand over 51% of shares to trusted partners such as Albert Frère and Paul Desmarais, (this was to constitute their first business partnership). Bolstered by the cash influx and the relationships that went along with it, Albert Frère then came to the rescue of Groupe Bruxelles Lambert, recapitalising it and gradually taking control of it as well as many of Belgium's prized companies sold to French TNCs.

### **BELGIUM'S TOP COMPANIES.**

Electrabel was sold to GDF Suez (now Engie), Petrofina went to Total, the insurance company Royale Belge haggled off to Axa, Fortis laid on a platter to BNP Paribas, the GIB supermarket group sold to Promodès before it merged with Carrefour, the BBL bank entrusted to its Dutch competitor ING ... Albert Frère's subsequent career is not much more than a string of Belgian heavyweights sold off to foreign (primarily French) corporations, in exchange for a percentage of the capital in these companies. This is precisely how a “nail dealer” became one of the largest shareholders of Total and GDF Suez. This was to be a tactic

## GROUPE BRUXELLES-LAMBERT PORTFOLIO END 2017

COMPANY	SECTOR	COUNTRY	VALUE	% OF TOTAL	SHAREHOLDING
IMERYS	ORE EXTRACTION AND TRANSFORMATION	FRANCE	3.366	17,9	53,83%
SGS	CERTIFICATION CONTROL	SWITZERLAND	2.751	14,6	16,60%
LAFARGEHOLCIM	CEMENT	SWITZERLAND	2.693	14,3	9,43%
PERNOD RICARD	ALCOHOLIC BEVERAGE	FRANCE	2.625	13,9	7,49%
ADIDAS	SPORT	GERMANY	2.623	13,9	7,50%
UMICORE	NON FERROUS METALS	BELGIUM	1.503	8,0	17,01%
TOTAL	OIL	FRANCE	746	4,0	0,64%
BURBERRY	LUXURY CLOTHING	UK	557	3,0	6,46%
ONTEX	HYGIENE PRODUCTS	BELGIUM	454	2,4	19,98%
GEA	ENERGY AND FOOD EQUIPMENTS	GERMANY	328	1,7	4,25%
PARQUES REUNIDOS	LEISURE PARKS	SPAIN	254	1,3	21,19%
SIENNA CAPITAL	INVESTMENT HOLDING		926	4,9	
<b>TOTAL PORTFOLIO</b>			<b>18.826</b>	<b>100,0</b>	

he would use again, but this time France would be on the losing end with the merger between Lafarge and Swiss competitor Holcim.

The career of the Charleroi businessman is tightly entwined with the French business elite, first very early on with Paribas, before the company became BNP Paribas, and then later with Suez, joining forces with the company in the eighties against Italian businessman Carlo de Benedetti, to take control of the prestigious bank and holdings company SGB (Société générale de Belgique) and its key asset: Electrabel, which then had a virtual monopoly on Belgium's electricity market, and owns several ageing nuclear power plants.

Albert Frère was also closely aligned with LVMH and its chair and CEO Bernard Arnault. In 1998, they took over Château Cheval Blanc, a winery located in Saint-Émilion in Gironde. Albert Frère had served as director of LVMH since 1997, but in 2017 gave up the position, taking over the role of advisory board member. His daughter Ségolène Gallienne is a director of Christian Dior, LVMH's parent company. Bernard Arnault serves as director at Frère-Bourgeois.

### **ECONOMIC ADVISOR TO THE FORMER FRENCH PRESIDENT**

As Nicolas Sarkozy's main economic advisor, Albert Frère was also in league with the political world, and the former French President awarded him the Legion of Honour's Grande Croix as soon as he was sworn in. While Sarkozy was still Minister of the Economy, Frère was accused of benefiting from unexplained indulgence from the Caisse des dépôts et consignations.

This state-owned financial institution purchased his shares in the BTP Eiffage construction group and the Quick fast-food chain at a high price, enabling him to bolster his capital in Suez just before the company merged with GDF. A businessman who had fallen out with Frère filed a complaint with the French and Belgian courts but these were deemed inadmissible. This was not the only stain on Albert Frère and his group's reputation. In the late eighties, GBL escaped prosecution following the resounding bankruptcy of Wall Street bank Drexel Burnham Lambert, of which it was one of the key shareholders. More recently, another company controlled by Albert Frère was named in corruption scandals involving Brazil's state oil company Petrobras<sup>1</sup>. In 2008, the latter had effectively agreed to buy a refinery in Texas from Albert Frère for 800 million dollars – nearly twenty times more than what the Belgian businessman had paid to acquire it only three years earlier. ... Albert Frère and Paul Desmarais's networks also appear to have played a role in the UraMin affair, the Canadian mining company with worthless assets, which Areva paid an astronomical price for in the 2000s<sup>2</sup>.

### **FRÈRE'S IMPLICATION IN THE CIVIL WAR IN SYRIA AND THE DESTRUCTION OF THE AMAZON RAINFOREST**

The most disturbing scandal, however, may be the latest one – that of Lafarge's cement factory in Syria. There has been much criticism of Lafarge's executives, who insisted on keeping their cement factory in Syria open despite the civil war raging in the country, and

1 "Au Brésil, le scandale Petrobras remonte jusqu'à Albert Frère et GDF Suez", Observatoire des multinationales, 27 March 2014.

2 "Affaire Areva-Uramin : la piste des papys belge et canadien", Marianne, 20 October 2017



who, in exchange, agreed to pay out several million euros to various armed groups including Daesh. The executives involved, who include former CEO Bruno Lafont, are currently under formal investigation, as is Lafarge as a legal entity. But what about the liability of shareholders like Albert Frère and Nassef Sawiris, sitting on the company's board of directors, and who, according to some sources, went to great lengths, along with Holcim's shareholders, to pin all liability onto Lafarge's French executives? It would be hard to believe that they were unaware of what was going on in Syria. And the insistence on keeping the Syrian cement factory could have had purely financial reasons: there were, of course, the company's profits to think about, but it might also have wanted to avoid depreciating assets, as Lafarge was heavily indebted and could end up in a situation where its creditors would demand early re-payment. There were enough questions to incite the Belgian police to wiretap several of GBL's directors including Albert Frère and his son Gérald<sup>3</sup>. The investigation is currently underway. In November 2019, the Investigation Chamber of the Paris Court of Appeals revoked the indictment of French company Lafarge for complicity in crimes against humanity committed in Syria and Iraq – in particular by the “Islamic State” (IS). However, the judges upheld the indictment of the French multinational for deliberately endangering the lives of others, financing terrorism and violating a trade embargo. Charges remain against eight former executives.

The Lafarge case revealed another grey area in Albert Frère's legacy: the number of human rights abuses and environmental crimes that have occurred in his increasingly internationalised business affairs. The Lafarge case in Syria is not a one-off, as illustrated by an article published by *Le Monde*, which raised questions about the activities of Imerys (another firm owned by GBL) on the border of Afghanistan and Pakistan, where it appears it indirectly contributed to financing the Taliban<sup>4</sup>.

The Observatoire des Multinationales revealed how this same company is accused of pollution and of spreading violence in communities living around the Amazon Rainforest<sup>5</sup>. GBL was already one of those

<sup>3</sup> “Lafarge, Daech et le conflit syrien : questions autour de la responsabilité des dirigeants, des actionnaires et de l'État français”, Observatoire des multinationales, 27 September 2017. “Financement de Daech: le silence en bande organisée des actionnaires de Lafarge”, Mediapart, 29 April 2018.

<sup>4</sup> “Imerys en Afghanistan : une entreprise française peut-elle s'approvisionner en pleine zone de conflit avec les talibans ?”, Observatoire des multinationales, 20 February 2017.

<sup>5</sup> “Polluées, menacées, déplacées : ces communautés amazoniennes aux prises avec des multinationales européennes”, Observatoire des multinationales, 2 October 2018.

orchestrating Engie's (then GDF Suez) massive investment in Brazil's energy sector, particularly through the construction of the Jirau mega-dam in the Amazon basin, a money pit that has resulted in countless social and environmental problems.

And it appears there is the same mentality when it comes to workers' rights: two successive reports published by the organisations Éthique sur l'étiquette and Basic have illustrated how Adidas, another of GBL's nest eggs, as well as Nike, choose to prioritise shareholders and advertising over their workers who make their products in Asia and are paid next to nothing<sup>6</sup>. There is growing awareness of the liability of transnational corporations that, so far, generally manage to get away with their misdeeds by dodging national jurisdictions. In 2017, France adopted a corporate “duty of vigilance” law whereby corporations are legally required to prevent serious human rights abuses and environmental harm caused by their activities. A treaty along the same lines is currently under negotiation at the United Nations, in spite of the more or less blatant resistance expressed by the business community and the western world. If there are any last lessons to be drawn from Albert Frère's career, it would have to be that the law needs to go even further than holding companies and their directors to account; it needs to pull back the curtains and expose those who are pulling the strings.

**Olivier Petitjean,**

Observatoire des multinationales, with Gresea

*The contents of each article are sole responsibility of its author/organisation*

<sup>6</sup> “Foul Play. Sponsors Leave Workers on the Sidelines”, Le Basic, June 2016.



# AGNELLI FAMILY

## NET WORTH

John Elkann made over 760 million euros (850 million dollars) in 2016 (Forbes)



more than 22 245 years of the average salary in Italy

The Agnelli family made over 12 billion euros (13.5 billion dollars) in 2014.

## COUNTRY

Italy

## SECTORS

Automobile, Investments

## COMPANIES

Fiat, Exor

## FOOTBALL CLUB

Juventus (Turin)



## THE AGNELLI FAMILY, A TURIN DYNASTY

The Agnelli family is one of Italy's veritable economic institutions. Sitting at the helm of Fiat, Italy's leading industrial giant for 120 years, it wields considerable influence over the economic, political and social – and even cultural – situation not only in Italy but all over Europe.

It's a nice idea that many entrepreneurs work their way up from nothing to become highly successful, but this doesn't usually bear much relation to the facts. Fiat's founder is a case in point. Giovanni Agnelli, was born in 1866 to a wealthy family of landowners in the Piedmontese region of Villar Perosa, 80 km south-west of Turin. A military career was set out for him and he was trained as an officer at the Military Academy of Modena before becoming a cavalry lieutenant. However, in 1899, enthralled by the big innovation of the late nineteenth century – the car – he founded, with several partners, the Fabbrica Italiana di Automobili Torino, which was then called Fiat. He was passionate about racing and won several awards. But it was war that really enabled Agnelli's business to take off, first that against Libya in 1911 and then World War I between 1914 and 1918. Agnelli was to provide support by supplying as much equipment as possible. This included trucks, machine guns, aircraft engines and ambulances.

The company grew from just 50 employees in its initial years to over 10,000 in 1915. A brand new factory was required to manufacture impressive amounts of military

equipment for the Italian army. This was to be the Lingotto factory, which opened in 1922 in Turin's southern suburbs. From the outset, the new company imitated Henry Ford's production model with mechanisation, assembly line production and division of labour. The company expanded even more with the Mirafiori factory, located on the outskirts of Turin. The larger factory was designed in 1936 and completed in 1939, on the eve of World War II.

Giovanni Agnelli gradually took over his partners' shares and became Fiat's official chairman in 1920. But this role didn't prevent him from spreading fake rumours so as to influence stock prices or from fudging the true value of shares so as to swindle small investors. In 1908, Fiat's entire board had to resign due to falsification of accounts. The prosecuting attorney was, however, unable to provide adequate evidence and Agnelli was acquitted.

In 1914, Agnelli met Benito Mussolini and decided that his car company would finance his political party. When companies like Fiat came under heavy attack for the excessive profits reaped during the War, Mussolini was to show his gratitude by wiping the slate clean.

## A HOLDING COMPANY, A FOOTBALL CLUB, A NEWSPAPER

The 1920s were an opportunity for Agnelli to branch out, and he acquired a significant stake in *La Stampa*, one of Italy's main newspapers published in Turin. Six years later, he was to become the sole shareholder. He also invested in tractors, railways, ships and planes, and gained ownership of the Juventus football club in 1923. He created his own bank, enabling people to purchase his cars on credit. In order to manage this empire, he founded IFI in 1927, a holding company he controlled, now known as Exor.

But his most lucrative venture remained military equipment. In 1923, he was named senator for life and joined Mussolini's fascist party in 1932. This meant that the majority of government and military procurement came his way. Then, when Italy formed an alliance with Nazi Germany, he provided military equipment to the Germans. Although he expressed



WIKIMEDIA COMMONS

Umberto Agnelli, with Antonella Bechi Piaggio, 1960.

support for the Americans as soon as it became clear that Mussolini was on his way down, in 1945 Giovanni Agnelli's possessions were taken from him. He died on December 16<sup>th</sup> 1945 at the age of 79.

He left his empire in the hands of his grandsons, Giovanni or "Avvocato" (nicknamed such because he had a degree in law although he never practised as a lawyer) and Umberto. As they were both too young to manage such an enterprise, Vittorio Valletta, Fiat's managing director, was named president. Giovanni, the eldest, was just 24 and embarked upon a society life of mischief and shenanigans, closely followed by by gossip magazines until 1966 when he took over as Fiat's chairman, following Valletta's retirement. His annual income at the time was estimated to be one million dollars, a sum that would allow him to party hard enough to keep his place on the front page of the tabloids.

The Valletta era was particularly tough for the company's employees. Valletta had no qualms in firing workers accused of being communist sympathisers. Fiat also played a key role in keeping the Italian Communist Party out of government as well as in the rise of the Christian democratic party, with the support of the Americans, thanks notably to the Marshall Plan. Valletta was also one of the founding members of the Bilderberg Group (1954), the semi-secret organisation that brought together powerful leaders in Europe and North America.

The Agnelli family took part in major international conferences that brought together select committees of the world's economic and political elite. These included the Bilderberg meetings and the Trilateral Commission which, in 1973, included Japan, and later Asia, as well as the Italian branch of the Aspen Institute.

Giovanni Agnelli or "Avvocato" was gradually introduced into Fiat's circles of power. He was elected may-

or of Villar Perosa in 1946, and in 1959 was named chairman of IFI. Four years later, he became the director of Fiat, a position he held for three years until he became the company's president. In 1957, he attended a Bilderberg meeting for the first time. Six years later, he was a member of its steering committee.

### **A GROUP THAT ACCOUNTED FOR APPROXIMATELY 3% OF ITALY'S GDP IN THE 1980s**

In the years following the war, the Agnelli family expanded its grip over the Italian economy and industrial sector through its main company, Fiat. This was achieved by an approach that included hiving off activities, thus creating a vast network of vertical integration, from the separate pieces to the finished product so that the entire car was produced by Fiat. The new subsidiaries included Iveco, created in 1975 and which produced heavy goods vehicles. And Teksid, established in 1978, which manufactured steel for Fiat. In 1973, COMAU, a company specialising in robotics and automated systems, was added to the list.

Fiat also took over other enterprises, mostly car companies. It took over Autobianchi in two stages, first in 1955 with a shareholder's pact between Pirelli, Fiat and the Bianchi family, and then in 1968, acquiring full ownership. Lancia was the next to join the consortium in 1969. Fiat gained a 50% stake in Ferrari in 1969, fully acquiring it in 1989. Similarly, Magneti Marelli, established in 1919, in partnership with Ercole Marelli, a manufacturer of electric equipment, was sold in its entirety to Fiat in 1967. It is estimated that the Fiat Group accounted for approximately 3% of Italy's GDP in the 1980s.

At the same time, the Agnellis teamed up with Enrico Cuccia, the president of Mediobanca, a semi-public bank and significant figure in the history of capitalism in Italy. Cuccia became the family's advisor. But the relationship was not one-sided. When Ford sought to acquire Alfa Romeo in 1986, Cuccia did everything in his power to prevent the deal from going through, and Fiat was able to buy out its competitor for a price lower than that offered by Ford.

Italy thus became a country governed by a handful of tight clans, with the Agnelli family among the most powerful.

As the economy became increasingly globalised, it was no longer enough for the Agnelli family to reign over Italy alone. In the late seventies, Giovanni and Umberto Agnelli handed over Fiat's operational management to experts in this domain. The "Avvocato" decided to go into politics with the "Per le Autonomie" political group. He was named senator for life in 1991. His brother was involved with the Christian democrats.



PIAGGIO\_AGNELLI.PNG

#### John Elkann in 2009 in St. Gallen.

In 1983, Umberto co-founded the European Roundtable of Industrialists (ERT), bringing together some 45 leaders of European multinational corporations whose task was to undertake high-level lobbying activities within European institutions. A Fiat representative regularly takes part in the Roundtable.

In 2003, Giovanni died, followed by his brother 16 months later. The Avvocato's grandson, John Elkann, then took over the reins. He appointed Sergio Marchionne as president of Fiat, who embarked upon a huge overhaul of the group. He saw Chrysler's troubles as an opportunity to buy out the company, which he did progressively from 2009, eventually integrating it into a new structure called FCA (Fiat Chrysler Automobiles).

#### **AGNELLI'S HOLDING COMPANY INCREASED ITS STAKE IN A REINSURANCE COMPANY BASED IN BERMUDA**

In 2014, the group split its operations into two, separating its car-making subsidiaries – FCA, COMAU, Teksid and Magneti Marelli – and its industrial division, which manufactures trucks, tractors and other construction equipment, now called CNH Industrial. Both are owned by the holding company Exor, with the Agnelli family a majority shareholder (29% stake in Fiat and 27% stake in CNH Industrial).

At the same time, the family began investing in more profitable sectors than the traditional industrial sector, which had previously been its focus. Fiat Ferroviaria was sold to Alstom in 2001; and Magnetti Marelli to the Japanese to the Japanese company Calsonic Kansei in 2018. Both Avio and Fiat Engineering were also sold. Ferrari was put back on the stock market but Exor still owns 23.7% of the company's shares.

In addition, Agnelli's holding company increased its stake in Partner Re in 2015, a reinsurance company based in Bermuda. A merger project with Axis Capital, which did not come off (Partner Re opted out of the deal) resulted in the family taking full control of the company, even though its previous stake was just 9.9%. That same year, the British company Pearson sold its shares in the magazine *The Economist*, thereby enabling Exor to increase its 4.7% stake to 43.4%.

The family has, therefore, remained active, not only in Italy but all over the world, as illustrated by the planned merger with PSA. John Elkann's self-proclaimed goal is to make FCA a major player in the global automotive industry. John Elkann's net worth was 760 million euros (850 million USD) in 2016. The Agnelli family's rose to 12 billion euros (13.5 billion USD) in 2014.

**Henri Houben**, Gresea

*The contents of each article are sole responsibility of its author/organisation*

# ISKANDAR SAFA

## NET WORTH

1.1 billion euros in 2019 (according to Challenges magazine)

⊖ more than 24,000 years of the average salary in France

⊖ more than 60,000 years of the French minimum wage

## COUNTRY

France

## SECTORS

Naval vessels, Media outlets

## COMPANIES

Prinvest, German Naval Yards, Valeurs actuelles

## ISKANDAR SAFA, A PORTFOLIO RANGING FROM NAVAL VESSELS TO MEDIA OUTLETS

Among the French billionaires that own certain French media outlets, there are the well-known names – Arnault, Bolloré and Niel – and the less well-known such as Iskandar Safa. The Franco-Lebanese man, who comes from a Lebanese Christian background, is one of France's wealthiest men and owns the conservative far-right weekly *Valeurs actuelles*. In 2019 he also attempted to acquire the regional daily newspaper *Nice-Matin*, but in the end opted out of the negotiations.

Iskandar Safa owns several shipyards in France, Germany and Abu Dhabi, where luxury yachts and small naval vessels are built. In 2015, he acquired the French magazine *Valeurs actuelles* (previously owned by pharmaceutical company Pierre Fabre) teaming up with Étienne Mougeotte and Charles Villeneuve, both coming from the French TV channel TF1.

The magazine *Valeurs actuelles* has a weekly print run of 90,000, not a bad readership for a French weekly. It leans to the far-right in terms of content. "France: a Christian Country", and "The Man Shaking up France" are notable headlines. The "man" in question just so happens to be former Italian far-right Minister of the Interior, Matteo Salvini, also claimed to be one of "The New Faces of the People's Rebellion" along with Viktor Orbán, the Hungarian Prime Minister.

The magazine is particularly fixated on stigmatising the Islamic community, ("Drive Out Christians, All We'll Have Left is Islamists", "15,000 Extremists Living Just Around the Corner") and "Immigrants" (apparently "Stealing French jobs").

In terms of the political networking, the magazine's publishers is Valmonde, with vice-chairman Olivier Dassault (Serge Dassault's son) at the helm since 2010. His father was a senator and Olivier Dassault has been an almost constant member of Parliament (LR) since 1988, and chairs the supervisory board of Dassault group, which produces military aircraft such as the Rafales, sold in Egypt, Qatar and India – as well as military defence systems.

## MILITARY EQUIPMENT SOLD TO SAUDI ARABIA

The military industry is indeed one of the sectors Iskandar Safa is capitalising on to build his industrial empire. He is known in France for his role in getting French hostages freed in Lebanon in the 1980s.

In 1992, as CEO of the holding company Prinvest, whose head office is in Beirut, he acquired Normandy Mechanical Constructions (Constructions mécaniques de Normandie – CMN) and its Cherbourg shipyards. CMN constructs yachts and naval vessels which include "fighters", "corvettes", "vigilantes" and "interceptors". The CMN shipyards were experiencing financial difficulties at the time of the purchase. In 1998, CMN won a contract with Kuwait selling the country missile patrol boats. In 2003, a contract was signed with the United Arab Emirates selling it a number of Corvettes which "would fill up its relatively empty order book, even though the company was experiencing serious financial difficulties and accumulating social and tax debts," a [parliamentary report](#) stated a year later.

## A PROPOS D'ISKANDAR SAFA

Iskandar Safa est né en 1955 à Beyrouth, au Liban. Il est le PDG du groupe Prinvest Holding.

Après l'obtention en 1978 d'un diplôme en ingénierie civile à l'Université Américaine de Beyrouth, Iskandar Safa poursuit ses études à l'INSEAD de Fontainebleau et sort diplômé du MBA de la prestigieuse école en 1982.

Mr. Safa participe ensuite à un certain nombre de projets : il part notamment quelques années à Ryad afin d'y diriger un chantier d'aérodrome militaire.



Iskandar Safa on the website of Prinvest.





Then there were the contracts with Saudi Arabia, selling them patrol boats in 2015. As the arms market is highly political, the contract did not come into effect until early 2018. On July 24th of 2019, the regional newspaper *La Manche libre* reported that a ceremony was held to celebrate the delivery of two initial boats to Saudi Arabia, with an official Saudi delegation present but without the French press, which had not been invited. A coalition of countries, led by Saudi Arabia, have been waging war in Yemen since 2015, and sales of military equipment to countries involved in the war has become increasingly controversial. Such contracts obviously provide jobs for boilermakers, welders, mechanics and electricians at Cherbourg. “Over a hundred job offers (both temporary and permanent contracts) have been published on the CMN’s Facebook page,” a local news site noted. “There is therefore a surge in recruitment linked to discussions with Saudi Arabia,” explained the shipyard’s director, Pierre Balmer, to the local press.

**US COURTS TARGET TRAWLER CONTRACTS**

Iskandar Safa’s shipyards also manufacture civilian vessels, yachts and fishing boats. An order for 24 trawlers and 6 patrol boats for a government-owned Mozambican tuna fishing company was signed with the Cherbourg shipyards in September 2013. Iskandar Safa was himself present at Cherbourg for the signing of the contract, alongside three French ministers. Mozambique’s Finance Minister Manuel Chang also made the trip. A US court has since suspected the contract to be connected to an alleged corruption case and fraudulent loans, concealed by Mozambican state officials.

“Safa is actively looking to collaborate with German politicians, both in regional areas and in Berlin.”

The indictment, filed by US prosecutors, resulted in the arrest of Finance Minister Manuel Chang in South Africa on 29 December. Several days later, two former Crédit Suisse bankers who had orchestrated the loans as well as a Prinvest executive were arrested under the same indictment. They were indicted under the Foreign Corrupt Practices Act, a US federal law that seeks to fight corruption of public officials abroad.

**JOB CUTS IN GERMAN SHIPYARDS**

Prinvest also acquired three shipyards in Germany, in the Kiel region on the Baltic Coast. In June 2018, Prinvest’s German subsidiary, German Naval Yards (formerly Abu Dhabi Mar until 2014), announced that it was closing one of its three shipyards: Lindenau, used for ship repairs. Another of its sites, Nobiskrug, is used to build luxury yachts. “It appears that there are to be 190 job cuts on the site, with only sixty to be redeployed,” said Heiko Messerschmidt, head of the shipyard sector at the trade union IG Metall.

“Safa is actively looking to collaborate with German politicians, both in regional areas and in Berlin,” noted Heiko Messerschmidt. Iskandar Safa thus met two ministers from the state of Schleswig-Holstein, where the shipyards are located, in May 2018.

**ISKANDAR SAFA TAKES GREECE TO COURT OVER FREE TRADE AGREEMENTS**

Yet the holding company’s relationship with German authorities has not always been friendly. The Ministry of Defence was to directly award – with no invitation to tender – a five-corvette contract for the German navy to a consortium of German companies. In April 2017, a Prinvest spokesperson revealed the company’s intention to take Germany to an international arbitral tribunal – the tribunals that handle private investor-state dispute settlements, the notorious ISDS – under an investment treaty signed between Lebanon and Germany. This, however, proved unnecessary as Prinvest had also lodged a complaint with the German anti-cartel office and was successful a month later. The German Naval Yards shipyards were awarded the corvette contract, teaming up with German steel giant ThyssenKrupp. Prinvest had no problem carrying out similar threats made against Greece. The group acquired the Greek shipyard Hellenic Shipyards off German company ThyssenKrupp in 2010, when markets began to falter due to the crisis in



The first page of the indictment act in the case of the Mozambican contracts.



CC-IEBESIAKRITZE / FLICKR

#### The German Naval Yards Holdings in Kiel, Germany.

Greece. Submarines were under construction for the Greek navy at the time of the acquisition. It didn't take long for the investor and the Greek government to come to a head. "Greece has stopped paying its bills. Business called to a halt in 2011 with several ships put on hold," stated French newspaper *Le Monde*. Prinvest took the Greek state to the International Court of Arbitration at the International Chamber of Commerce (ICC), and the country was ordered to pay 200 million euros to the holding company.

In 2016, Iskandar Safa filed another lawsuit against Greece regarding the same shipyard and an investment agreement signed between Athens and Beirut, this time with the World Bank's Private Arbitration Court (the bank's International Centre for Settlement of Investment Disputes). The Greek judges finally decided that the shipyard would require special management and should possibly be sold. In an article published in *Les Échos*, Safa accused Alexis Tsipras (who came to power in 2015) and his left-wing government of "stealing" the shipyard.

Prinvest is also linked to two offshore companies that featured in the Panama Papers, the millions of leaked documents that detail offshore entities domiciled in tax havens and managed by Panama-based law firm and corporate service provider Mossack Fonseca. French newspaper *Le Monde*, which played a role in disclosing

the Panama Papers, published an article in 2016 which revealed Prinvest subsidiaries based in Switzerland, the USA and Abu Dhabi, as well as those based in the Virgin Islands, and in which the holding company holds shares.

"For some reason, just because I own the magazine *Valeurs actuelles*, the finger has been pointed at me as the owner of two offshore companies. Aside from the fact that this information is of no importance, everyone knows that there is no law against such companies which may be created for business purposes and which I don't feel any need to justify here," retorted Safa in his right of reply to the newspaper.<sup>1</sup>

In July 2019, in economic newspaper *Les Echos*, the current boss of Prinvest Média announced that his group had "other projects in print press".

**Rachel Knaebel,**

Observatoire des multinationales

*This article has been first published in French on 09.30. 2019 in the online magazine Bastamag.net.*

*The contents of each article are sole responsibility of its author/organisation*

<sup>1</sup> "Panama papers" : les affaires offshore d'Iskandar Safa, le propriétaire de " Valeurs actuelles ", *Le Monde*, 25 April 2016.

# SUSANNE KLATTEN AND STEFAN QUANDT

## NET WORTH

Stefan Quandt : 16.2 billion euros  
(17.9 billion USD) in 2019.  
Susanne Klatten : 18.5 billion euro (20.5  
billion USD) in 2019 (Forbes).

⊖ more than 360,000 and more  
than 411,000 years of the average  
salary in Germany

⊖ more than 867,000 and more than  
990,000 years of the German  
minimum wage

## COUNTRY

Germany

## SECTORS

Automobile

## COMPANIES

BMW



CC OLAF KOSINSKY / WIKIMEDIA COMMONS

Susanne Klatten.

## SUSANNE KLATTEN UND STEFAN QUANDT, THE HEIRS OF BMW

Are Susanne Klatten and Stefan Quandt the most successful businesspeople in Germany? In 2018, their stakes in the BMW group (20% and 25% respectively) brought them over one billion euros in dividends, a sum they also received in 2017 and 2016.

The Klatten and Quandt's history of wealth began with the Draeger family's textile factory, which later went to their great-grandfather Emil Quandt. The family

reaped enormous profits from various sources: from the First World War, speculative profits from companies acquired during periods of hyperinflation. And in 1933 their grandfather, Günter Quandt, joined the NSDAP, the Nazi party, which was to further increase the family's wealth<sup>1</sup>. Günter Quandt's companies were involved in the forced labour of 50,000 workers<sup>2</sup>, and acquired companies under the Nazi regime of "arayanisation", i.e., the forced expulsion of Jews from business life.<sup>3</sup>

Today, the Quandt still benefit from German inheritance law, tax optimisation and lobbying instruments initiated by politicians, such as foundations, party donations and staff exchange programs with federal authorities, all enable them to do this.

What are Susanne Klatten and Stefan Quandt doing with all their wealth? Susanne Klatten owns the chemical company Altana, half of the BMW group (her broth-

1 Sources : Jungbluth, Rüdiger (2015): Die Quandts: Deutschlands erfolgreichste Unternehmerfamilie. Deutschlands erfolgreichste Unternehmerfamilie. Frankfurt am Main: Campus Verlag ; MAZ-Online (2015): Aufstieg der Industriellenfamilie Quandt ; Scholtyseck, Joachim & Heinemann (2011): Profiteure von „Arisierung“ und Zwangsarbeit. Bonner Historiker über den Aufstieg der Unternehmerfamilie Quandt unter der Nazi-Herrschaft ; Wagener, Otto (1978): Hitler aus nächster Nähe. Aufzeichnungen eines Vertrauten (Otto Wagener) 1929–1932 : Henry A. Turner: Frankfurt am Main.

2 The "London Debt Agreement" and later the "Stiftung Verantwortung und Zukunft" (Foundation for Responsibility and the Future) were to play a key role by facilitating lawsuits that would force 6,500 German companies and the German state, in agreement with the USA, to pay a total of just 5.2 billion euros in compensation to these forced labourers (no more than 7,670 euros per worker). This effectively meant that these workers were robbed of approximately 90 billion euros in wages.

3 Sources : Jungbluth, Rüdiger (2015): Die Quandts: Deutschlands erfolgreichste Unternehmerfamilie. Deutschlands erfolgreichste Unternehmerfamilie. Frankfurt am Main: Campus Verlag ; Winkler, Willi (2013): Industriellenfamilie Quandt. Vermögend im Dritten Reich ; Cicero (2011): Die Quandts - NS-Verbrechen totgeschwiegen ; Scholtyseck, Joachim & Heinemann (2011): Profiteure von „Arisierung“ und Zwangsarbeit. Bonner Historiker über den Aufstieg der Unternehmerfamilie Quandt unter der Nazi-Herrschaft ; Scholtyseck, Joachim & Heinemann (2011): Profiteure von „Arisierung“ und Zwangsarbeit. Bonner Historiker über den Aufstieg der Unternehmerfamilie Quandt unter der Nazi-Herrschaft. Joachim Scholtyseck im Gespräch mit Christoph Heinemann.





CC LAURA HOFFMANN / WIKIMEDIA COMMONS

#### The BMW headquarters in Munich.

er owns the other half], and other companies such as SGL Carbon SE. Since 2008, Susanne Klatten has been investing an increasing amount in green businesses such as the major wind turbine manufacturer Nordex. Although BMW may be developing a fleet of electric cars, Susanne Klatten is more representative of a climate-harming industry with BMW's luxury sedans.

She uses her wealth to consolidate market fundamentalism in the Federal Republic. She promotes entrepreneurship among students at Munich's Technical University through the company "Die Unternehmer TUM GmbH" whose cost-benefit dogma in the "SKala Initiative" is controversial. For several years Susanne Klatten and the Quandt family have been supporting conservative and market-radical parties as important major donors with

millions in donations. Together, BMW, Stefan Quandt and Suzanne Klatten, gave in donations between 2010 and the first half of 2019 more than 3 million euros to German political parties, mainly to the conservative party CDU, the Bavarian conservative party CSU, and the liberal party FDP, and in smaller amount also to the social-democrat party SPD. The Quandts are also aligned with market-fundamentalist organisations such as the Stiftung Familienunternehmen and the Initiative Neue Soziale Marktwirtschaft (New Social Market Economy Initiative), involved in lobbying activities that thwart policies designed to reign in the mega-rich and their interests.

**Thomas Dürmeier,**  
Goliatwatch

*The contents of each article are sole responsibility of its author/organisation*



# ANDREJ BABIŠ

**NET WORTH**

3.5 billion euros (3.9 billion USD)

⊖ More than 540,000 years  
of the Czech minimum wage

⊖ more than 130,000 years of the  
average salary in Czech Republic

**COUNTRY**

Czech Republic

**SECTORS**

chemicals, agriculture, media

**COMPANIES**

Agrofert

Minsiter of Finances in 2013

Prime minister in 2017

## ANDREJ BABIŠ: A ROUTE FROM BILLIONAIRE TO POWER-THIRSTY OLIGARCH

As with most of the super rich who have emerged to form the new ruling classes in postsoviet European countries, the story of Andrej Babiš begun even before the democratic revolutions of 1989. An aspiring Slovak top manager of a state industrial company, he used his background in a privileged communist family to get a highly unusual job for that era. He became a businessman – stationed in Morocco – charged with acquiring a strategic commodity for the Czechoslovak agrochemical industry, essential to the whole of the Soviet bloc.

It goes without saying that back then it was not possible to hold such a position without a proper clearance by the communist authorities. The essential question today is to what extent these ties remain active, and whether the operational methods he learned at that time still inform the ways he conducts business and politics today.

There is also a looming shadow over the question of where exactly he obtained the initial money to start his business after 1989. The Czechoslovak Velvet Revolution caught Andrej Babiš as a trade expert in the quickly deteriorating Council of Mutual Economic Assistance in Morocco. But before too long, he was back and ready to set up his own company, Agrofert.



Andrej Babiš.

Where did he get the first millions of Czechoslovak crowns to do that? The official story is that he borrowed the money from former classmates of an international high school in Geneva, where he studied while his father was a Czechoslovak diplomat following the General Agreement of Trade and Tariffs – the international body preceding the World Trade Organisation.

Almost no one believes this story. Hence it is generally assumed that from the onset of his business – and later political – career, he had a secret institutional partner who provided him with money and backing.

What we know for sure is that Very quickly he became one of the most aggressive and quickly successful businessman of both republics of former Czechoslovakia. He acquired Agrofert which had been set up as a daughter company of his original employer, the Slovak chemical corporation Petrimex under highly dubious circumstances. This gave him a key platform he could use to expand his operations on a larger scale. The situation in Slovakia became very volatile for him early in the 1990s, with Prime Minister Vladimir Mečiar assuming power and creating a clientelistic system through which he would decide the fate of the various businessmen trying to establish themselves as the new major players – not unlike the way Victor Orbán is ruling Hungary today. Andrej Babiš was not in good terms with Mečiar – a fact he would later use to portray himself almost as a freedom fighter – and henceforth decided to set up headquarters in Prague.

He has used his position as a major provider of fertilisers and other inputs for the agricultural sector to expand quickly, by acquiring agricultural companies of all kinds, co-ops and both mid- and large-scale former state companies. He has also sought to diversify his

business portfolio through the acquisition of various enterprises in the food-processing and chemical sectors. After he succeeded in overtaking his only major competitor, a corporation named Agropol, in 2009, through a transaction absurdly approved by the Czech Antitrust Authority, he achieved total dominance and almost monopoly status on many agricultural commodities in the Czech market.

Andrej Babiš likes to portray himself as a self-made man who has built his economic empire from scratch, thanks only to his personal talent, work ethic and creativity. But a large-scale investigation which we have carried out after he entered politics tells a completely different story.

A story of wealth built through predatory hostile takeovers, abhorrent treatment of business partners and employees alike, and a systemic milking of subsidies, tax breaks and public incentives. And, last but not least, through large scale political connections ensuring that all relevant regulations and public policies would favour his company.

### **2010: A SEISMIC SHIFT IN CZECH POLITICS**

Andrej Babiš did not belong among the most spectacular cases of ruthless businessmen building fortunes in the murky waters of the wild and mismanaged privatisations of the 1990s. Against a backdrop of dozens of criminal stories of sharks plundering the country – the costs of the botched economic transformation of the Czech Republic alone are estimated at tens of billions of euros –, he did not seem the worst.

The Czech political landscape during the first twenty years after 1989 tended to consolidate around the two major parties – the conservative Civic Democratic Party that was the hegemon for the longest time after 1989 and the centre-left Social Democratic Party. Parliamentary politics, with the smaller right of centre Christian Democrats, the isolated Communists on the left, and one liberal right leaning party, was remarkably stable. Only those five parties have been elected to parliament in all four elections from 1996 till 2006 in the Czech Republic.

For Babiš, who was slowly building his empire and evading closer scrutiny, this worked just fine, as it likely did for all the other richest businessman of that era.

He had allies in both major parties who would take care of his interests.

But more and more people realised that the major political parties did not represent the interests of the people who voted for them, but rather those of a largely invisible network of powerful financial players. Václav Havel, still then the serving president of the Czech Republic, spoke of the new system as “mafia-capitalism”. The word “Godfathers” was used to describe the

people behind official decision-making processes, and making hefty sums of money.

Thus, instead of the expected win of the Left, the elections of 2010 brought a seismic shift, with two parties leaving parliament and three new parties entering it. Conservatives managed to hold on to power by forming

a government with two of the new populist parties, one a new neoliberal populist party called TOP 09, the other a peculiar populist project called Public Affairs, led by a businessman.

The outcome of the elections must have come as a complete shock to Andrej Babiš. His allies in both major parties had lost the ability to protect his interests, while he had become dependent on the state institutions to play the ball for him. And he must have felt personally offended by the relative success of a political party founded by another businessman – actually, the owner of a private security agency – with far less resources than his own.

This was the moment he decided to take action to protect his political interests, that had become by then intrinsically linked to his way of conducting business. In 2011, the political movement ANO 2011 [Association of Dissatisfied Citizens, the abbreviation meaning “YES” in Czech] was born.

### **A STORY WITH TWO SIDES**

Of course, this was not the story he could tell to the public to win its support. Hence, what he told them instead was a cover narrative, one that most of the people loved to hear. As a matter of fact, his PR cover was a well-crafted and quite credible story.

He was saying that as a successful businessman, he was fed up with the unprecedented levels of corruption he had been experiencing first-hand; that the

“  
His political interests  
had become by then intrinsically  
linked to his way of conducting  
business.”

”



CC-PALÁCIO DO PLANALTO / FLICKR

#### Andrej Babiš in Brazil, in 2019.

country was a land of smart people governed by inept politicians; that he would use the know-how that had made him so successful in business to the benefit of the whole nation.

To make the story even more convincing and overcome the initial distrust of many segments of society, because of the mixed memories of how fortunes were built during the privatisation era, he managed to attract the support of several respected personalities of Czech civil society. He only made sure that the structure of the new party would firmly stay in his own hands.

And he did yet make another bold move to take care of his personal reputation. Maybe inspired by the misfortunes of the Public Affairs populist political project, which had become discredited after an investigation by Mafra, a major mainstream publishing house, that revealed corrupted internal processes, he decided to buy Mafra in 2013. Thus, on the onset of his political career, he had also become one of the main media owners in the country. Thanks to later acquisitions, he is as of today the largest publisher of printed media in the Czech Republic.

Around that time, his team also started to build up the

most powerful social media machine, especially on Facebook, that the Czech Republic has ever seen from a political entity. When the utterly unpopular right-wing austerity government collapsed in 2013, and early elections came, he was ready and did surprisingly well, finishing close second behind the Social Democrats and entering a coalition government with them.

While there were already widespread doubts about his real motives even then, the story he was telling seemed plausible. Even some respected liberal personalities and segments of civil society fell under the charm. Also because of the totally compromised politics of the past, it was not that hard to imagine that something good might arise from his movement.

It took a couple of years of investigation to reveal that his story had two very different sides. One he was telling to the public in order to be liked, and the other one he wanted to hide at all costs. When he campaigned with the slogan “I will run the country like a company”, it seemed to us like a good idea to go and see for ourselves how his corporations were run, and what his employees and business partners had to say about their experience with him.



## **A BUSINESS MODEL: PRIVATE PROFITS, PUBLIC COSTS, AND LIES**

Had we met people who would tell us stories of how he had made them happy and how their lives had improved by working for Andrej Babiš or conducting business with him, we would have told their stories and we ourselves might have been convinced. Surely that would have been a way of operating which everyone would love to see replicated in government at national level. But that is not what we heard and saw.

Instead we have heard the story of the hostile takeover of agricultural corporation Agro Jevišovice<sup>1</sup> through deceit, psychological terror, broken promises and merciless squeeze-out. The original owner, in spite of having faced harsh reprisals from the Agrofert corporation, is still locked in with it in numerous lawsuits.

We heard the heart-breaking story of a brilliant co-op of butchers<sup>2</sup> who managed to defy the neoliberal privatisation drive which, by principle, excluded co-ops. They found a way to bypass the rules and used their strength and invention to build the largest and best meat processing factory in the Czech Republic, only to see Andrej Babiš take it from them through false accusations on the managers and a prolonged investigation by the police in what was called by the press at that time “the worst case in the history of the Czech judicial system”. It also involved Babiš finding a way to buy a share in the company through a secret behind-the-scenes deal with a state official later convicted for corruption.

We heard the story of an innovative agricultural corporation, that was intuitively building a community-supported agriculture scheme of unprecedented scale, taken over and completely ruined by Babiš<sup>3</sup>. “Why did he buy it just to ruin everything?”, locals would ask us in disbelief. We did not know the answer then, but we know now.

We also saw illegal foreign workers employed in appalling conditions in a poultry factory in South Bohemia<sup>4</sup>. We got sued by the Babiš corporation after we published these revelations. The case was dropped when it became obvious our investigation was sound. We have found that the quality of the production has fallen dramatically in all the companies he took over. The reason for this is a drive to cut costs by all means

1 See <http://denikreferendum.cz/clanek/21855-habisova-kampan-proti-zemedelci-radovi-neppravdy-a-manipulace>.

2 See <http://denikreferendum.cz/clanek/23041-jak-andrej-habis-pripravil-rezniky-o-knstaleckce-uzaniny>.

3 See <http://denikreferendum.cz/clanek/23074-hustopeckse-zemadelstvi-pod-habisem-proc-si-je-kupoval-kdyz-ho-znicil>.

4 <http://denikreferendum.cz/clanek/25552-jak-andrej-habis-da-va-praci-ukrajinske-agenturni-mafii>.

available. Hence jobs would be destroyed, salaries would be pushed down, and low payed untrained staff, sometimes illegal foreign workers without any protection or welfare, sometimes inmates, would be hired.

We have discovered how Andrej Babiš has created a whole machinery dedicated to hostile takeovers. He has undertaken hundreds of them. He was even employing specialists with the task to organise these acquisitions for him. We spoke to one of them who described how it was done.

Andrej Babiš profited from very bad state regulations and from the virtual absence of state support for small and medium scale agrobusinesses. In the agricultural sector, companies operate with what is called “long money”. It takes a long time from buying the seeds, fertilisers and all the other inputs to getting real income from the harvest. And all the more so in the fragile trade environment of a post-soviet country like the Czech Republic, where only a few businesses could develop cash reserves.

Thus, given the glaring imbalance in scale and financial power between Andrej Babiš and his smaller partners, the latter were at a great disadvantage. Should they get into any kind of financial trouble, which is pretty normal for everybody from time to time, Babiš would pretend he was being a good friend by offering, for instance, to transform a debt into a minority share in their company.

Using loopholes in Czech law and the information he could obtain through the people he put on the boards of those companies, he would then quickly proceed to turning the minority into majority share. And, as a final step, he would squeeze the original owners out, usually without a proper compensation but with just enough money, or threats, to keep them silent.

## **A HOSTILE TAKE-OVER OF THE CZECH REPUBLIC**

With the expansion of his Agrofert corporation, it became both essential and possible for Andrej Babiš to influence and even shape public policies in a way that would serve his interests. Antitrust laws would not be enforced. Subsidies, tax breaks and state incentives would begin to constitute a larger and larger share of his income. Today, various subsidies and incentives form the core of the profits made by the Agrofert corporation. There are hundreds of them coming both from national and EU level. This is also why, all of a sudden, it could make sense for him to close down flourishing agricultural companies, as in the case mentioned above. While it was fine to keep experimenting with all sorts of activities as long as the primary objective was to serve clients





CC-BY / WIKIMEDIA COMMONS

The Agrofert group manages and coordinates today more than 250 subsidiaries.

and the community, it made as much good sense for Andrej Babiš to close everything down as unnecessary costs, as long as the subsidies would still be coming in the same or even higher amounts. Under the twisted system of industrial agriculture perpetrated by the European Union under the Common Agricultural Policy, it actually can pay off to cut costs ad absurdum and still get the same subsidies as if the land was cultivated in the most productive way.

This is made worse by the fact that EU allows member states to set up their own policies for how the subsidies should be used. Henceforth, unlike in most EU countries, in the Czech Republic there is no limit to the surface area of a farm obtaining subsidies. Thus, we end up in a totally absurd situation where low income European employees are subsidising the dubious businesses of agricultural corporations, in this case owned by the Prime Minister of an EU country.

Nowhere has this been more obvious than with the EU subsidies for the Czech biodiesel scheme. The Czech Republic has managed to convince the EU to subsidise a scheme that – under the pretext of fighting climate change – requires all petrol sold in filling stations in the Czech Republic to include six percent of Rapeseed Methyl Ester.

Over ten years, the resulting Czech subsidies, in the form of tax breaks sanctioned by the EU, amounted to over 650 million euros. Andrej Babiš made sure that the Czech scheme would only allow for Rapeseed Methyl Ester and not – let's say – Sunflower Methyl Ester. The reason for this? He owns a major facility to process rapeseed oil into Methyl Ester, while he has no business in sunflower oil.

He also used his position in government to squeeze out all his larger competitors so that virtually all revenues from this heavily subsidised scheme would go to Agrofert. He also managed to get state incentives to build a new processing factory – forty percent of the investment, amounting to over 20 million euros.

But the largest share of income by far in the rape-seed oil business comes from the very core of Babiš' activities – revenues from the sales of fertilisers and pesticides. The highly intensive production of rapeseed requires about seven times more agrochemical inputs than common conventional crops like wheat or corn.

All the money for these inputs ends on the balance sheets of Agrofert. The corporation also gets revenues from the storing, cleaning and drying of the harvested rapeseed. This altogether amounts to profits estimated at a minimum of sixty to one hundred million euros every year, and probably much higher.



All of this is heavily subsidised both directly and indirectly by the Czech state and the European Union. And it was made possible only by heavy lobbying on behalf of Andrej Babiš.

In this context, it becomes obvious why it was of utmost importance for Babiš to get control over the Ministry for the Environment. He made this a top priority in his coalition negotiations in 2013. When he was awarded the power to choose the head of the institution, he appointed Richard Brabec, one of his most trusted hands, former director of one of his big chemical factories Lovochemie.

As we have documented, soon after becoming minister, Richard Brabec orchestrated a well-planned purge of the Environmental Inspection, the body tasked with enforcing environmental laws and punishing the corporations which break them. All we needed to confirm our suspicions was to find cases where this influence would be used to favour companies linked to the Agrofert holding.

We have managed to find one such example in the city of Kroměříž, in central Moravia. There, a handful of Agrofert companies, a meat processing factory named quite fittingly The Godfather and an agro-industrial facility of the Agrofert group, were wreaking havoc on the local community. People suffered from exposure to a greasy smoke used to process the meat, their houses had cracks because of use of heavy machinery, and the standards for dust and noise were routinely disrespected. All of this gave little concern to the Environmental Inspection, which failed to enforce the law in the interest of Andrej Babiš and his corporation.

Of course, the fact that he had control of vast and ever-expanding swathes of the media helped him to divert public attention from all this. One of the newspapers he bought used to have the best local and regional coverage – something that was not lost on him. After his takeover, local and regional stories like the one from Kroměříž would not get reported any more, or only in a blatantly distorted way.

### **A FIGHT FOR DEMOCRACY IN THE CZECH REPUBLIC AND IN THE EU**

After the 2017 general elections, the situation has only gotten worse. In spite of all the efforts of civil society and independent journalists to expose the real motives behind the political project of Andrej Babiš, he has managed to win almost thirty percent of the votes, helped by the absence of any compelling alternative presented by the other parties.

Even the fact that he was under an investigation for an alleged fraud on EU subsidies for building his lavish personal villa, the so-called Stork's nest, did not diminish his political base in any significant way. Nor the fact that he managed to more than double his personal wealth during his four years at the Ministry of Finance (from slightly less than two billion euros in 2013 to over four billion euros in 2017 according to *Forbes*).

Due to a slick communication strategy, using many of the tactics deployed by the new wave of populist strongmen around the world, he was able to get the support of almost a third of the Czech voters. And he started to use his increased powers to gain control of some of the most fundamental institutions of the state. But since he did not have an absolute majority, first he needed to find allies in parliament. He found them in a far-right xenophobic nationalist party and in the communists, who in the Czech case are closer to a traditionalist party of people nostalgic of the old regime of the 1970s and 1980s than anything that would resemble a progressive Left.

But these two parties would have been too heavy a reputational burden had they joined him in government. Thus he managed to convince the decimated Social Democrats to play the indecent role of junior coalition partners.

Again and again, they have proved totally powerless to change policy in any meaningful way, and they have seen their political support to plummet, but they stay on, perhaps thinking that this is their last shot at holding positions in government for a very long time. But for Babiš, they play the invaluable role of giving him a better image, especially in the eyes of the European institutions – it looks as if he has a civilised coalition partner.

And this good image is something he badly needs, since conflicts with European institutions have been one of the major obstacles for him to consolidate his power. After it was exposed that milking both national and EU subsidies was in fact the core of his business, European institutions have been forced to act.

The official investigation of European Commission concluded that Andrej Babiš, in spite of claiming that he had formally severed his ties to the Agrofert corporation, still remained the final beneficiary of EU subsidies. This means that the EU demanded that the Czech Republic pay back all the subsidies illegally granted to Agrofert. Since the Czech government has already declared it would not comply with EU demands but rather defend the personal interests of the Prime Minister, an escalation of the conflict seems inevitable.



The efforts of Andrej Babiš to consolidate his hold on power have been slowed down by domestic developments as well. First, the investigation of the alleged Stork's nest fraud has dragged on. An indictment, resulting in a criminal prosecution of him and some members of his family, is still possible.

Second, as more and more people realised the real motives behind Babiš' decision to enter politics, a popular protest movement emerged. In 2018 and 2019, the Million Minutes for Democracy movement organised the largest demonstrations in the country since 1989. And while their demands remain vague and their protest strategies quite opaque, the very fact that people protest in such large numbers is a great problem for his image, both at home and abroad.

In the meantime, he has focused on capturing more and more state institutions vital to his political and economic goals, but also to consolidating his power. It was no surprise that the very first institution he tried to control by placing his own people after the victorious elections of 2017 at the General Inspection for Security Forces, which allows him to control the police and other security forces. This is essential to influence the current – and potentially any future – investigations of his crimes, and at the same time it can be used to intimidate his opponents.

What has happened after it was exposed that Andrej Babiš had allegedly had his son kidnapped to Crimea to obstruct the investigation on the Stork's nest case speaks volumes about the capture of the Czech state. He was not forced to resign, and escaped scrutiny by questioning the mental health of his child and by running vicious attacks against the owner of the media organisations that had published the revelations. Until today, no one knows the whereabouts of his son, still wanted by the Czech police for investigation.

Journalists in state-owned media or in smaller independent online platforms are attacked as being "anti-Babiš" as if it was a disqualifying label that gives him a pass to avoid responding to criticism. Many media have adapted, trying not to seem "anti-Babiš" and thus treating as normal some of his most outrageous dealings, such as his and his employees' blatant conflicts of interest.

Under the radar of a stressed and grossly under-financed Czech media, more and more state institutions are progressively being captured. Usually, this is done in such a way as not to hamper the basic operation of the organisation that is taken over. Most people would keep on doing their jobs, just making sure that the boss'

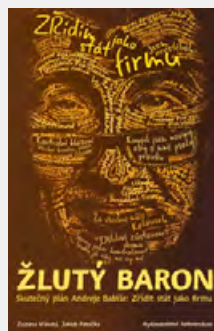
interests would not be compromised. Only a handful of people who could not be trusted in this respect would be fired. And a small unit operating on direct orders would be installed. This is the operational template used for the Czech Environmental Inspection and for the major media he controls.

While Czech civil society and the remnants of free media still resist, the role of the European Union is absolutely crucial. If Europe is to restore the deeply compromised hope of a common European house with a vision of a better and meaningful life for all Europeans, it has to change its policy towards new member states in several essential aspects. To begin with, European subsidies – the money of ordinary European citizens – should not end in the pockets of the new class of the Eastern and Central European post-soviet oligarchs.

**Jakub Patočka, Zuzana Vlasatá,**  
Deník Referendum

*Jakub Patočka, Zuzana Vlasatá are the authors of the book, Žlutý baron - Skutečný plán Andreje Babiše: Zřídít stát jako firmu, on Andrej Babiše.*

*The contents of each article are sole responsibility of its author/organisation*



Jakub Patočka, Zuzana Vlasatá are the authors of the book, Žlutý baron - Skutečný plán Andreje Babiše: Zřídít stát jako firmu, on Andrej Babiše"



# HOW TO BECOME A BILLIONAIRE (AND STAY ONE)

## **A LOOK AT HOW TAX OPTIMISATION, DIVIDENDS, OFFSHORING AND THE POWER OF INFLUENCE CAN GET YOU THERE...**

LVMH's Bernard Arnault, Zara's Amancio Ortega, Stefan Quandt of BMW, the Bettencourt family (L'Oréal), the Kamprad family (Ikea)... These are just a few of the individuals and families in Europe whose high net worth is intertwined with the transnational corporations they or their families founded. How have these people managed to become so incredibly rich? And how have they managed to stay that way despite the numerous financial crises? Tax optimisation, lack of transparency, profit hoarding, family ties and political complicity are just a few of the ways in which the foul play of transnational corporations has resulted in a surge of ultra high net worth individuals, and vice versa.

"Worldwide inequality has risen sharply since 1980," stated a report on global inequality published in 2018 and written by several authors including French economist Thomas Piketty, author of the now well-known book *Capital in the Twenty-First Century*. The rich are thus getting richer, and an increasingly amount of wealth is leaving the hands of communities and being forfeited to private owners. This trend, unprecedented in over half a century, is illustrated by the fact that, according to the Bloomberg business channel, the thirteen wealthiest individuals in France made money much faster than their counterparts in other parts of the world<sup>1</sup>.

The private wealth of Bernard Arnault and his family has thus soared to more than 90 billion euros. The net worth of Zara CEO Amancio Ortega has climbed to 60 billion euros. And the heirs of Liliane Bettencourt also have reason to celebrate, with 45 billion euros to their name. The

<sup>1</sup> "France's Richest Are Making Money Faster Than Everyone Else This Year", *Bloomberg*, 16 May 2018.

wealthiest Europeans include also the owners of Chanel (the Wertheimer brothers), the owners of Hermès (the Dumas family) as well as the German owners of the low-cost supermarkets Aldi and Lidl, the Austrian owner of Red Bull, Dietrich Mateschitz, and the Mulliez family, owners of the French Auchan group.

The two branches of the Italian family that built the Ferrero empire and the Nutella brand also occupy a leading position as does the owner of the Italian luxury brand Luxottica (Leonardo Del Vecchio) and the Swedish owners of H&M (Stefan Persson) and Ikea (Ingvar Kamprad). In Germany, the family that owns BMW, as well as the lesser-known family behind the Schaeffler company, also feature among the continent's wealthiest. How have they managed to hoard all these billions, and continue to do so despite a string of worldwide financial crises?

## **RULE NUMBER 1: KEEP IT IN THE FAMILY (AND PREFERABLY BE A MAN)**

The biggest fortunes in Europe are built – and are passed on – by ensuring the company or flagship group stays strictly within the family. This is the rule that French billionaires stick to. The Bettencourt family, whose proximity to important political circles has made headlines on a number of occasions, is a case in point. Liliane Bettencourt died in 2017, but her daughter Françoise Bettencourt Meyers took over as head of L'Oréal. The granddaughter of the company's founder Eugène Schueller is now the chairwoman of the family holding company Téthys, the L'Oréal supervisory board and the investment subsidiary Téthys Invest. Françoise Bettencourt's husband Jean-Pierre Meyers is vice-chairman of the company's board of directors and sits on a number of its boards. Their son Jean-Victor Meyers, only just in his thirties, joined L'Oréal's supervisory board in 2012.

Bernard Arnault's children Antoine and Delphine are paid generously for their directorial positions at LVMH: more than a million euros respectively. At Hermès, the net worth





CC EDWARD WESTON VIA FLICKR

of its owner Axel Dumas is estimated at more than forty billion euros. His descendants still hold the reins, with the family owning more than 65% of the company's capital. Axel Dumas, at the head of the family, is a direct descendant of founder Émile-Maurice Hermès. At least seven other family members sit on the supervisory board.

The Mulliez, the family behind the Auchan group and a dozen other brands, has no less than 32 billion euros to his name. The family is of such key importance to the company that the Mulliez Family Association – an economic interest group that includes only family members – owns the entire group. The Bollorés also like to keep business in the family with Vincent Bolloré presiding over the company, and his children in charge of a handful of subsidiaries. Yannick Bolloré is the CEO of communications group Havas, Cyrille manages the transport and logistics division, strongly present in Africa. Sébastien sits on the board of several subsidiaries, and Marie, the youngest, heads the subsidiary Blue Solutions and manages the car-sharing service Autolib.

Family capitalism is not just a French trend. The German company Henkel, which manages a number of brands including Persil laundry powder, and a dozen other household and cosmetic products, has been a family business since it was founded in 1876. It owns more than 60% of the capital. The founding family owns goes a step further, owning 100% of its industrial technology company. The

net worth of Georg Schaeffler is estimated to be in the ballpark of 13 billion euros.

Being an heir or not, you would have, in terms of probability, more chances of becoming a billionaire if you are a man. There are some women billionaires in Europe. But among the 11 richest European billionaires, only 3 are women: heiresses of wealthy families such as Susanne Klatten, Françoise Bettencourt-Meyers, and Charlene de Carvalho-Heineken.

### **RULE NUMBER 2: CASH IN AS MANY DIVIDENDS AS YOU CAN**

Dividends are the share of profits paid out to a company's shareholders. In a big corporation, these increase every year and now represent astronomical amounts. This is money that is not being reinvested or being used to pay those making the company's capital gain, in other words, the workers. At fast fashion retailer Zara, 63% of profits were thus paid out to shareholders in 2017, two thirds of whom are members of the billionaire Ortega family. Amancio Ortega himself received more than one billion euros in dividends in 2018 and in 2017.

Similarly, in 2016, LVMH paid out 45% of its profits to its shareholders (and 41% in 2017) – a total of more than two billion euros, up 500 million from 2012. Nearly a billion euros went directly to Bernard Arnault and his family. The shareholders of BMW were paid out “the biggest dividend



in the company's history" in 2016, as its annual report boasts, to the tune of 2.3 billion euros. The Quandt-Klatten family (the brothers and sisters of Stefan Quandt with a net worth of more than 16 billion euros, and Susanne Klatten with a tidy 18 billion to her name), which owns 46% of the company's capital, thus pocketed just over a billion euros in dividends in 2016. And the same amount again in 2017 and 2018.

### **RULE NUMBER 3: CREATIVITY IS KEY IN LEGAL MATTERS**

French retail giant Auchan is the veritable kingdom of the Mulliez family whose net worth comes to some 32 billion euros. At its throne sits Gérard Mulliez. The family owns a handful of other companies including Pimkie and Décathlon. But as the company is not listed on the stock exchange, it is not required to publish its financial results. Nor does the Association Familiale Mulliez (Mulliez Family Association), the holding company that owns all these companies. There is another outcome to this original way of running a company (which must lead to some interesting dinner conversations): in the event of a dismissal in one of the companies owned by the Association, the "company" completely dodges its redeployment obligations! Auchan's trade unions have made repeated attempts to illustrate that behind the association lies a "de facto" company, but to no avail. "Employment positions and human resources would have to be managed at the level of the Association; if the latter was recognized as a company, it would of course be possible to redeploy employees, given how big the group is. There might not even be any need to lay people off at all!" explains Guy Laplatine, CFTD union representative at Auchan. "But the Mulliez family know how to look after themselves." The result is that more than 200 employees from Pimkie stores are soon to be made redundant and have little chance of being redeployed in the Auchan group even though it employs 80,000 people in France and over 300,000 worldwide.

### **RULE NUMBER 4: STEER CLEAR OF TRANSPARENCY**

Europe's two leading low-cost retail chains – Aldi, owned by the Albrecht family (Karl and Theo with a net worth of 36 billion euros), and Lidl, owned by Dieter Schwarz, who has clocked up 17 billion euros – are alike in that they both follow the same "zero transparency" strategy. "The Schwarz group is a medley of companies, foundations and businesses, and resembles a 'black box' shrouded in mystery," remarks German trade union Verdi. "The main companies are those of the Schwarz KG group (where the voting rights are) and the Dieter Schwarz Foundation (where the shares are). And then there is the Schwarz holding company. The central governing power is the group of Schwarz companies, the holding company that controls everything else," explains the trade union.

The corporate structure of the Swedish furniture heavy-weight Ikea is no less convoluted. The company's founder Ingvar Kamprad died last January at the age of 91. He was one of Europe's richest individuals, and his wealth will most likely be passed down to his family. Before his death, Ingvar Kamprad also built a Hydra-esque conglomeration of holding companies, firms and foundations around his furniture stores based in the Netherlands, Luxembourg and Liechtenstein. "In 1982, Ingvar Kamprad divided Ikea into two legally distinct groups: the Inter Ikea Group, which now operates as a Luxembourg-based holding company, and the Inter Ikea holding company, which was placed under the ownership of the Interogo Foundation, established in Liechtenstein in 1989," stated a report by the European Greens in 2016. "And then there is the Ikea group, attached to the Dutch company, INGKA Holding, which Kamprad placed under the ownership of the Dutch foundation, Stichting INGKA."

Like wandering through the company's immense furniture stores where kitchens, living rooms and bedrooms are all stuck onto one another, it's easy to see why one might get lost in such labyrinthine arrangements. And it doesn't end here. The Greens report also highlights that although "the Inter Ikea group has owned the stores and, since at least 2012, the Ikea brand, the Kamprad family also owns another company: the Ikano Group, which split from Ikea in 1988. The group is managed by Ingvar Kamprad's three sons through a holding company based in Curaçao," which also happens to be a tax haven, as are Luxembourg and Liechtenstein.

### **RULE NUMBER 5: DODGE THE TAXMAN**

Avoiding transparency is also a way to get around the taxman, or at least take advantage of tax loopholes. Ikea is one of the companies that in 2012 refused to be investigated by the French National Assembly's commission on tax optimization. In December 2017, the European Commission also opened an investigation into the company's advantageous tax arrangements in the Netherlands. Since the early eighties the company has operated under a franchising model: "All the Ikea stores in the world pay a fee of 3% of their turnover to Inter Ikea Systems, a subsidiary of Inter Ikea established in the Netherlands," explained the European Commission in a statement. Revenue from these subsidiaries should therefore be taxed in the Netherlands. However, added the Commission, "two anticipated tax rulings granted by the Dutch tax authorities in 2006 and 2011 had significantly reduced the company's taxable profits." Under the first agreement, the profits were transferred to Luxembourg where they were untaxed. Then after 2011, the Dutch tax authorities allowed Ikea to shift a significant part of its profits to Liechtenstein, where,



CC ROLAND ZUMBÜHL / WIKIMEDIA COMMONS

#### GDSTAAT

again, they were not required to pay tax. These operations are estimated to have cost the EU a billion euros in taxes between 2009 and 2014, including of tens of millions of unpaid taxes in France<sup>2</sup>.

Another investigation by the European Greens criticised Zara, whose country of choice is the Netherlands when it comes to money matters. The company also stores cash in Ireland and Switzerland, saving the company and its affluent owner 585 million euros in taxes between 2011 and 2014. Another case is that of the Kering group, owned by French billionaire François Pinault (a net worth of over 29 billion euros). In March 2018, the French magazine *Mediapart* revealed that by stashing money in subsidiaries based in the Netherlands, Luxembourg and Switzerland, the company had evaded approximately 2.5 billion euros in taxes since 2002, “most of which should have gone to Italy as well as France and the UK.”

The Paradise Papers also shone the spotlight on French arms company Dassault and its subsidiaries based on the Isle of Man, a well-known tax haven. It appears that the subsidiaries enabled the company to avoid paying VAT on private jets. “Between the years 2008 and 2012, Dassault

<sup>2</sup> According to research carried out by the European Greens. In 2014 alone, it appears that France lost 24 million euros in taxes, Germany 35 million and the UK more than eleven million.

Aviation set up seven financial leasing companies on the Isle of Man to meet the financing needs of its clients during the financial crisis,” the group countered in a statement. Several months earlier the big boss Serge Dassault who passed away on May 28<sup>th</sup> 2018 at the age of 93, was deemed ineligible to assume a political office for five years and fined two million euros for hiding tens of millions of euros from the tax authorities over a fifteen-year period.

#### **RULE NUMBER 6: TREAT YOUR WORKERS BADLY**

In early March 2018, Zara workers in the Basque town of Gipuzkoa took action against the poor working conditions they are subjected to. With part-time contracts of 15-25 hours a week, Zara employees in Spain, for the most part women, are struggling to make ends meet. Because working for a billionaire doesn't mean you get paid a decent salary. Far from it. Whether it be Zara, H&M, Ikea, Aldi or Lidl, the working conditions in these firms feature among the worst out there. “Aldi offers its workers mainly part-time contracts; it's rare that a cashier manages to get a thirty-eight-hour a week salary,” stated the German trade union Verdi.

Ikea, on the other hand, has taken to spying on its employees. “Ikea France has indeed set up a 'large-scale system' to spy on applicants and on certain employees,” stated the French newspaper *Le Monde* in spring 2018. The system involves checking police records, an illegal





procedure. Early in 2018, French prosecutors requested that Ikea France and fifteen individuals including two of the company's former CEOs, appear before a criminal court. And yet Ikea promises its future employees that "working with us is not just fun; it's also rewarding. The workplace is a relaxed and human place."

### **RULE NUMBER 7: TREAT YOUR WORKERS BADLY (AGAIN)**

In the garment industry, manufacturers rely heavily on outsourcing, employing workers in Eastern Europe, Turkey, Asia and South America. In 2011, three of Zara's garment factories based in São Paulo, Brazil were investigated, revealing appalling working conditions, which the Brazilian Ministry of Labour compared to modern-day slavery. Dozens of workers, for the most part Bolivian and Peruvian, were working in these factories, and the investigation revealed "illegal contracts, child labour, degrading working conditions, sixteen-hour days, illegal deductions off wages, employees detained in the workplace..." detailed the NGO Reporter Brasil, which accompanied the labour inspectors. The officers freed 15 people including a fourteen-year-old from forced labour.

And sometimes employees are not even paid. In Turkey, a hundred employees working in a factory subcontracting for major garment brands including Zara are struggling just to get paid for their work.

Along with French companies Auchan and Carrefour, Zara is one of thirty-two brands that subcontracted work out to the garment factory in Rana Plaza, in Dhaka, Bangladesh. The building collapsed on the 24<sup>th</sup> of April 2013, killing 1,138 people and injuring more than 2,000. Zara made a generous contribution to the compensation fund for victims. Along with H&M, it subcontracts a massive amount of work out to garment factories in Bangladesh. But according to the NGO Clean Clothes Campaign, H&M's subcontracting factories are still far from being safe working environments. 70% of factories still don't have an emergency exit in the event of fire.

### **THE GOLDEN RULE: PLAY THE CARD OF POLITICAL INFLUENCE (AND IF POSSIBLE BECOME YOURSELF A POLITICIAN)**

In addition to a certain complicity between politicians and the affluent, the latter also attempts to influence institutions through lobbying activities. The European Transparency Register, where major companies are required to list the number of lobbyists working in European institutions as well as the amount of money spent on lobbying, gives some idea of just how important lobbying is to companies. Ikea spends more than 500,000 euros a year on lobbying in Brussels where it employs seven people entirely focussed on defending its interests in matters

such as corporate taxation, data protection and the labour law. And it is not the only one to take lobbying so seriously. Most of the heavyweights including LVMH, L'Oréal, Lidl, H&M, Hermes and Auchan invest hundreds of thousands of euros – if not millions – in lobbying activities which promise lucrative returns<sup>3</sup>.

In Germany, political parties even receive direct cash donations. In 2017, billionaire BMW owners Susanne Klatten and Stefan Quandt donated 200,000 euros to the conservative parties CDU (Angela Merkel's party) and FDP (liberal), in addition to 100,000 euros donated to the CDU in 2016. Between 2010 and 2017, the same billionaires gave a total of more than a million euros to the CDU, more than 700,000 euros to the conservative Bavarian party (allied with the CDU) and more than 550,000 euros to the liberal party FDP. 450,000 euros was even donated to the German social democratic party SPD<sup>4</sup>. It's never a good idea to put all your (Fabergé) eggs in one basket.

But it is perhaps the Czech oligarch Andrej Babiš, (with a net worth of 3.2 billion euros) that has been more effective in gaining political influence. He increased his wealth until becoming the second richest citizen of the Czech Republic, then, in 2017, he became Prime Minister. In Hungary, the man who became the richest man of the country in 2019, Lőrinc Mészáros, is a close friend of Prime minister Viktor Orban. The pattern is similar in Western Europe. The French billionaire Serge Dassault, who passed away in 2018, was a senator from 2004 to 2017. His son Olivier Dassault has been an MP since 1988 (with a break between 1997 and 2002). The family can also count on the power of influence of its press group Le Figaro. Bernard Arnault, billionaire owner of LVMH is also involved in the media, owning French newspapers *Les Echos* and *Le Parisien*. And three other French billionaires Patrick Drahi, Xavier Niel and Vincent Bolloré (all of whom are under the ten billion mark) have also branched out to become media moguls. In Germany, the big media magnate Axel Springer, publisher of the very popular *Bild Zeitung* (more than 1.6 million copies sold daily) is another one with a net worth of more than four billion euros. If you want something done, do it yourself, right?

Rachel Knaebel,

Observatoire des multinationales


*The contents of each article are sole responsibility of its author/organisation of its author/organisation*

<sup>3</sup> The data on these companies is available on the Lobbyfacts website. In a year alone, LVMH spent more than a million euros on lobbying. L'Oréal spent more than 200,000 euros, Lidl more than 175,000 euros, H&M more than 200,000 euros, the French company Hermès 50,000 euros, Auchan 50,000 euros, and the Italian company Ferrero 200,000 euros.

<sup>4</sup> Source: Bundestag.







**Published by Alter-médias,  
a French media publisher,  
on behalf of the ENCO  
network.**

**Paris, January 2020**

**Coordination:** Rachel Knaebel

**Design:** Guillaume Seyral

**Authors:** José Bautista,  
Thomas Dürmeier, Olivier Favier,  
Gabiella Horn, Henri Houben,  
Anna Jikhareva, Rachel Knaebel,  
Jakub Patočka, Olivier Petitjean,  
Zuzana Vlasatá.

**Translations:** Susanna Gendall  
and Joanne Craven.

**Editing:** Olivier Petitjean

**[www.corpwatchers.eu](http://www.corpwatchers.eu)**





OBSERVATORI DEL DEUTE  
EN LA GLOBALITZACIÓ

Corporate Watch  
www.corporatewatch.org



OBSERVATOIRE  
DES MULTINATIONALES  
SOCIAL, ÉCOLOGIQUE, POLITIQUE

