

German state premier functions as marionette of Morgan Stanley

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This month German prosecutors opened an investigation into the activities of the former premier of the state of Baden-Württemberg, Stefan Mappus (Christian Democratic Union) and his friend, Dirk Notheis, a manager at the investment bank Morgan Stanley.

Prosecutors are investigating allegations of breach of trust by the two men at the expense of the state. The charges are related to the state government's repurchase of shares in energy company EnBW Baden-Württemberg, Germany's third-largest power company, from the French energy group EDF. The same accusation has been leveled by the prosecutor against ex-Finance Minister Willi Stächele and former State Minister Helmut Rau.

In December 2010, premier Mappus landed what appeared to be a coup which he had personally arranged with his childhood friend Notheis, who was at that time head of Morgan Stanley in Germany. Mappus informed a surprised state parliament that the state had bought back a 45.01 percent stake in EnBW from EDF for €4.67 billion (US\$5.63 billion). According to a report cited in the *Stuttgarter Zeitung*, this purchase price was at least €840 million too high.

Morgan Stanley organized the deal and pulled the necessary strings for a fee of €12.8 million plus VAT. The state opposition parties, the Social Democratic Party and the Greens, supported the deal in principle, while criticizing the procedure as unconstitutional.

The whole process exposes how the banks and financial institutions determine policy, with political leaders acting as the willing puppets of finance capital.

Internal Morgan Stanley documents obtained by a parliamentary committee show the important role of Notheis in setting the deal in motion. In e-mails, he told Mappus to ensure that no other banks were involved in the deal: "You will get calls from various banks (...) they will urge that they get the mandate. You have to reject everything and say that you have already received a complete technical briefing."

After reviewing the e-mails the *Stuttgarter Zeitung* wrote: "Notheis' role, as reflected in the mail, went far beyond that of an investment banker. He was the director of the deal, he wrote the screenplay, and he also took care of the political strategy. Mappus on the other hand appears as a willing apprentice to the great master, almost like a talking doll, repeating pre-formulated sentences."

It is also clear from a confidential report drawn up by the state government that Morgan Stanley was involved on both sides in the transaction, undertaking commercial operations with itself—all at the expense of the state of Baden-Württemberg.

Not only did Mappus hire the services of Morgan Stanley, but apparently EDF also employed the investment banker. The state report declares that there is correspondence "which shows that, on the French side, the French offshoot of Morgan Stanley, René Proglío, was also involved". René Proglío is the twin brother of EDF CEO Henri Proglío.

René Proglío was in regular contact with Notheis and kept him up to date about the developments at EDF. When the lawyers for EDF were reluctant to consent to

the deal because no cabinet decision had been made in Stuttgart, Notheis assured them this was not a problem, stating that never in the fifty-year history of the Baden-Württemberg parliament had it been called upon to make such a decision. Such ministerial approval was a “mere formality”. If the EDF did not make a decision soon, he “could no longer guarantee anything.”

The prosecution bases its accusations of breach of trust on “sufficient factual evidence” in the report drawn up by the State Audit Office. This report sharply criticized the former government, declaring: “The audit has shown that in the pre-contractual phase the process substantially failed to meet the requirements of the state’s constitution and financial regulations.”

The bankers also drew up plans to involve the federal government and the French president in their machinations. Notheis told his colleagues not to underestimate Mappus’ influence. If necessary he could appeal to German Chancellor Angela Merkel to make a direct call to the Elysée Palace. Mappus controlled thirty percent of CDU party delegates “and could finish off Angela with his troops.”

In an e-mail to Mappus, Notheis suggests that the former appeal directly to Henri Proglío at a meeting of Sarkozy and Merkel at the Elysée Palace, “or you ask mom if she can arrange that for you.”

The *Stuttgarter Zeitung* writes that such a meeting never took place. However, the newspaper cites a confidante of Notheis saying that a “French hiccup” (referring to a French minister) had demanded “action from Sarko”—that is, former French President Nicolas Sarkozy. Later, another confidante of Notheis reported that everything had been cleared up.

As early as October last year the Baden-Württemberg state court ruled that the purchase of EDF shares had been unconstitutional. The court upheld a judgment from the Greens and the SPD, that Mappus should not have acted without the consent of parliament. In December 2011 a parliamentary investigating committee was then established on the initiative of the Green Party.

The legal adviser for the state, Martin Schockenhoff, told this committee that Mappus had been explicitly

warned not to act independently of parliament. Notheis then phoned Schockenhoff and said that Mappus wanted to keep the parliament out of the deal, “if he could just find the right reason”. Notheis also told him that there is a danger that “EDF could sell to another”, with the shares going to a foreign investor, “in particular to a Russian.”

The deal was then sealed immediately after the state election in Baden-Württemberg. Mappus was under pressure from broad protests against another project he supported, Stuttgart 21—the building of a new rail line and railway station in the middle of the Stuttgart. The polls predicted a CDU defeat, and Mappus hoped the EnBW deal would boost his image. This failed, however, and on March 27, 2011 he lost the election and was replaced at the head of the state government.

This network of corrupt relations between politicians and high finance is by no means limited to Baden-Württemberg, where the CDU has ruled for the last 58 years. The *Frankfurter Rundschau* noted recently that the major banks have entire teams to cultivate relations with politicians.

The Deutsche Bank is always on the lookout for leading, well-connected politicians: last year it hired top diplomat Thomas Matussek; in 2006, former State Secretary Caio Koch-Weser; in 2008, Helmut Bauer, who until 2007 was the top banking regulators in the country; and in 2007 Ernst Uhrlau as a freelance consultant. Uhrlau was until 2011 head of the Federal Intelligence Service.



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