



FINANCIAL TIMES

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South Africa misses out

Left out of the mining boom. Analysis, Page 7

Brunello Cucinelli, King of Cashmere, holds court

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News Briefing

Tanker groups warn over further failures
At least one leading oil tanker operator is likely to have collapsed under group laws introduced last week, says the industry, as the sector is hit by overcapacity. Page 35

Bank secrecy clash
Britain and the US are set for a new clash over bank secrecy as reports that US tax payers with undisclosed Swiss accounts. Page 9

Turkey PM in Gaza trip
Turkey's leader says visit to Gaza as a gesture of solidarity with the Palestinians against Israel's aerial blockade, in what would be a key move in Ankara's efforts to gain traction. Page 3

Eviction friction
Urban relocation projects and evictions in China have long sparked protests but the dream bubble has burst, Beijing, in unusual because of its changes to bank of power. Page 4; letters, Page 5

Rich to 'escape' levies
Barry signs suggest that the 'tax no more' drive by some of France's wealthiest, such as Maurice Levy, head of oil group Total, is unlikely to gain traction. Page 5

Chile tax rise fears
Competition in Chile, the world's largest copper producer, are braced for tax rises amid expectations that the government will be forced to enact revenue reforms. Page 4

Banks brace
Europe's banks are braced for a fresh test - whether they can successfully and transparently handle the traditional August bill because a credit crunch has driven liquidity down to alarming levels. Page 20; Richard Lambert, Page 9

D Bank deals probed
Investment Bank probed over its role in the deal of the UK's Serious Fraud Office is examining its part in an exercise into whether groups of companies should be investigated. Page 15

Berlin move for EADS
Germany's government is preparing to buy a stake in European aerospace company EADS after an buyers bid part of the company's holding case. Page 11

Chocolate meltdown
Analysis says reporting that results from British chocolate retailer Thorntons will show a further decline in sales across its UK stores. Page 22

Riots link found
More than a third of suspects charged with riotous violence in the riots in London due to the poorest 5th of the city's areas, Financial Times reveals. Page 10; www.ft.com

Deadly Japan typhoon
Riots and a typhoon caused by powerful Typhoon Tatsu left at least 30 people dead in Japan as the storm raged northwards past the country's western coast.

Separate section
FT's Fund management update

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● US handed Islamist to Gaddafi in 2004 ● Ex-terror suspect now a rebel leader

UK aided rendition to Libya

By Michael Peel in Tripoli and James Billie in London

Britain's intelligence services are under pressure to explain how they handed over a detainee to Libya with Colonel Muammar Gaddafi's former regime in Libya after it emerged that the UK was complicit in a successful US plot to transfer an Islamist terror suspect to Tripoli seven years ago.

As Libya's rebel movement has taken control of Tripoli after Col Gaddafi's fall, the discovery of a huge cache of documents in the capital has thrown a spotlight on the intelligence links the former regime enjoyed with Britain as well as the US. The papers were found in the offices of Moussa Kouss, Libya's head of external security, who fled to the UK in late March. They show that the UK pro-

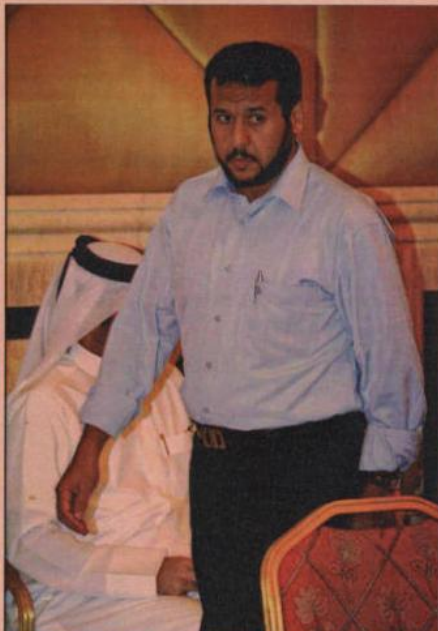
vided intelligence to the British regime, which was involved in the handling of the case. "We would have sought assistance that he was being properly interrogated. If we had not sought those assurances, we would have been critically negligent," said the official.

The key British paper in the dossier, dated 1998, was headed "The urgent attention of Moussa Kouss" with an interlined and redacted section. The document is labelled "Following messages from Tripoli from Mark in London."

Foreign Office officials declined to discuss the memo and Mr Mark could not be reached. Whistleblowers contacted by the FT on Sunday have not disputed the authenticity of the document. The MI6 official told Mr Kouss that Mr Mark's mission was "the best we could do for you and for Libya to demonstrate the relationship we have built over recent years".

The US's Central Intelligence Agency defended its relationship with Col Gaddafi's regime. It can't come as a surprise that the CIA works with foreign governments," said a spokesman.

James Billie revealed that a terror suspect in 2004, Abdul Hakim Belhaj, is now a commander in the victorious rebel forces.



A terror suspect in 2004, Abdul Hakim Belhaj, is now a commander in the victorious rebel forces.

Greece hits at critics over speed of reforms

By Kevin Hoyle in Athens, Joshua Chaffin in Brussels and James Wilson in Frankfurt

Greece's finance minister has strenuously defended his handling of the country's relations with international lenders, accusing his critics of promoting "a mood of superstition and scare-mongering".

Evangelos Venizelos said on Friday Greece was accelerating implementation of long-delayed structural reforms agreed with the European Union and the International Monetary Fund, although he gave few details of how this would be achieved.

"We're doing this not because it's imposed from abroad but because it has to happen now, as quickly as possible, for the sake of our children," Mr Venizelos said. He insisted relations with the troika - experts from the EU, IMF and European Central Bank - were on an even keel, although the troika's latest monitoring mission in Athens was unexpectedly suspended on Friday for 10 days.

Greek media reported at the weekend that talks had broken down after Mr Venizelos made clear - after consulting George Papandreu, the prime minister, by telephone - that the government was not prepared to make more budget cuts this year.

Unless government spending is slashed immediately, Greece will miss its budget deficit target, as a percentage of gross domestic product, by at least 1.5 percentage points, according to both EU and Greek projections.

The finance minister, who also serves as deputy prime minister, denied mounting criticism from Brussels and Berlin over Greece's failure to get in line with the troika's demands for a second EU-IMF bailout package. Privately, EU officials in Brussels on Sunday expressed frustration at Athens' foot-dragging and insisted the bail was now in the Greek government's court.

European news, Page 2; Wolfgang Miethage, Page 9

Elite tax push fails



Cash by some members of the global wealthy elite to pay more tax to have come as a bill from the tax. But their "tax no more" campaign is not giving political traction. Last week, Italian parliamentarians rejected raising top income tax rates and the introduction of a wealth tax. Spain also started away from a wealth tax. In the US, Republicans have their own capital gains tax against higher taxes.

Report, Page 5

Chinese consortium snapped up bulk of CCB stake sold by BofA

Beijing involvement in deal kept under wraps

By Henry Sender in Hong Kong

A Chinese consortium was the biggest buyer of the Citic Construction Bank stake that Bank of America sold last month, according to several people familiar with the deal.

The State Administration of Foreign Exchange, which manages most of China's \$2,000bn (€3,200bn) in foreign reserves, the National Social Security Fund and Citic Securities bought the CCB stake.

World Markets

due to big capital raising exercises. Beijing said BofA to sell half its holdings in CCB, China's second-largest bank by market capitalisation, the people said.

A person close to BofA said selling more of the CCB stake would have made little difference to the bank's capital position. He added not all of the shares could be sold until next year "so selling the entire position was not an option".

Chinese bank shares have fallen 11 per cent in the past month. In August, CCB reported first-half pre-tax profits of \$400m (\$400m), a 11 per cent rise over the same period last year, but the bank's share price has slipped 30 per cent from its highs earlier this year.

The Chinese involvement was kept closely under wraps. BofA, which operates with Citic Bank, the Beijing investment firm

established by Fung Ping-king. The Chinese buyers joined with the sovereign investment arm of Singapore and Qatar to buy the CCB stake. Tencent, the Singapore state investment agency, raised its holding in CCB to about 1 per cent.

In July, Tencent said over 500 of CCB shares through Morgan Stanley at a much higher price than that at which it bought shares last week.

Tencent's CCB deal and a separate agreement to purchase a block of shares in Bank of China has prompted criticism in China that the Singapore sovereign wealth fund was acting like a hedge fund by investing shortly after selling part of its stake in each of the two Chinese banks in July.

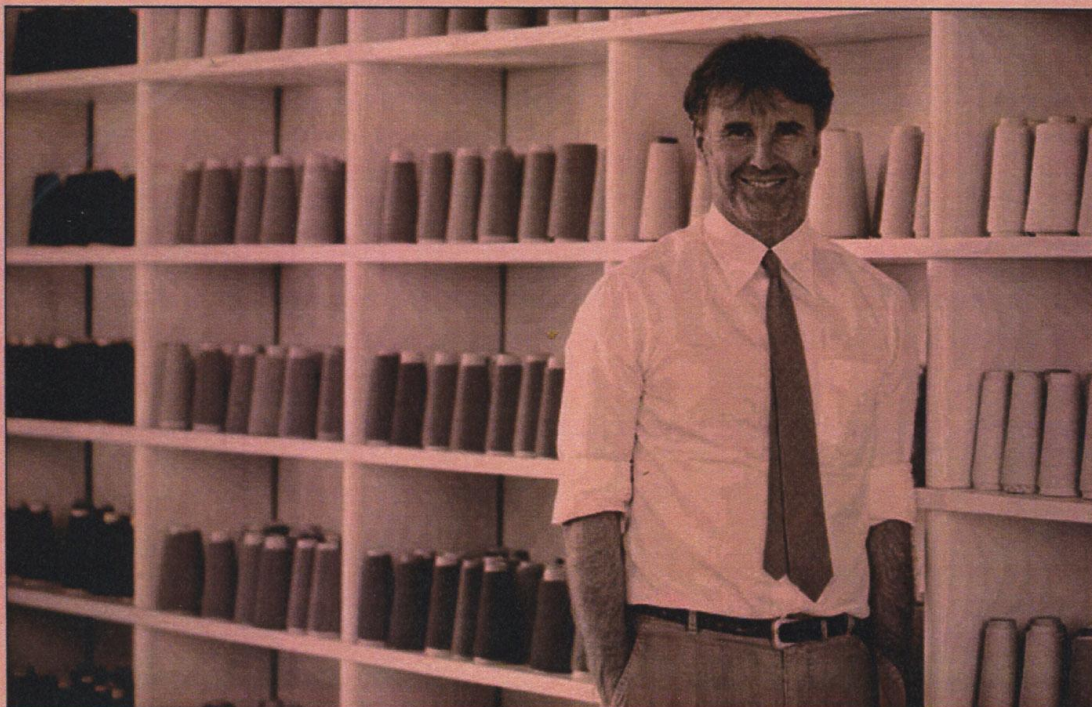
Investment reporting by Keith Brown in Singapore and Tom Bruchmann in Washington

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World Markets	30 Sep 11	30 Sep 10	30 Sep 09
US 10Y	4.25	4.25	4.25
US 30Y	5.25	5.25	5.25
UK 10Y	5.25	5.25	5.25
UK 30Y	6.25	6.25	6.25
EU 10Y	5.25	5.25	5.25
EU 30Y	6.25	6.25	6.25
JP 10Y	3.25	3.25	3.25
JP 30Y	4.25	4.25	4.25
AU 10Y	4.25	4.25	4.25
AU 30Y	5.25	5.25	5.25
IN 10Y	8.25	8.25	8.25
IN 30Y	9.25	9.25	9.25
BR 10Y	12.25	12.25	12.25
BR 30Y	13.25	13.25	13.25
RU 10Y	15.25	15.25	15.25
RU 30Y	16.25	16.25	16.25
CH 10Y	4.25	4.25	4.25
CH 30Y	5.25	5.25	5.25
HK 10Y	4.25	4.25	4.25
HK 30Y	5.25	5.25	5.25
SG 10Y	4.25	4.25	4.25
SG 30Y	5.25	5.25	5.25
TH 10Y	4.25	4.25	4.25
TH 30Y	5.25	5.25	5.25
PH 10Y	4.25	4.25	4.25
PH 30Y	5.25	5.25	5.25
MY 10Y	4.25	4.25	4.25
MY 30Y	5.25	5.25	5.25
SG 10Y	4.25	4.25	4.25
SG 30Y	5.25	5.25	5.25
TH 10Y	4.25	4.25	4.25
TH 30Y	5.25	5.25	5.25
PH 10Y	4.25	4.25	4.25
PH 30Y	5.25	5.25	5.25
MY 10Y	4.25	4.25	4.25
MY 30Y	5.25	5.25	5.25

Cover Price	30 Sep 11	30 Sep 10	30 Sep 09
US 10Y	4.25	4.25	4.25
US 30Y	5.25	5.25	5.25
UK 10Y	5.25	5.25	5.25
UK 30Y	6.25	6.25	6.25
EU 10Y	5.25	5.25	5.25
EU 30Y	6.25	6.25	6.25
JP 10Y	3.25	3.25	3.25
JP 30Y	4.25	4.25	4.25
AU 10Y	4.25	4.25	4.25
AU 30Y	5.25	5.25	5.25
IN 10Y	8.25	8.25	8.25
IN 30Y	9.25	9.25	9.25
BR 10Y	12.25	12.25	12.25
BR 30Y	13.25	13.25	13.25
RU 10Y	15.25	15.25	15.25
RU 30Y	16.25	16.25	16.25
CH 10Y	4.25	4.25	4.25
CH 30Y	5.25	5.25	5.25
HK 10Y	4.25	4.25	4.25
HK 30Y	5.25	5.25	5.25
SG 10Y	4.25	4.25	4.25
SG 30Y	5.25	5.25	5.25
TH 10Y	4.25	4.25	4.25
TH 30Y	5.25	5.25	5.25
PH 10Y	4.25	4.25	4.25
PH 30Y	5.25	5.25	5.25
MY 10Y	4.25	4.25	4.25
MY 30Y	5.25	5.25	5.25

Brunello Cucinelli, Monografico



'King of Cashmere': Brunello Cucinelli owns the 14th-century Umbrian village of Solomeo where his sportswear business is located

Alessia Paganotto

A philosophy that fits snugly

Monday interview

Brunello Cucinelli
Founder and CEO, Brunello Cucinelli

The Italian believes his beneficent feudalism is the best way forward for luxury businesses, writes Rachel Sanderson

It is 42 degrees centigrade outside and Brunello Cucinelli, Italy's self-styled "King of Cashmere", has just run up the stairs to his office in the Umbrian hills. He is having a busy day.

First he went to see the mayor of nearby Perugia to talk about donating €1m (\$1.4m) to restore an Etruscan archway in the city. He then paid a visit to a local football team to give a pep talk before a game. Later he will throw a party in Solomeo, the 14th-century hilltop village he owns, where he and his employees live and work and which he has rebuilt, including its castle and amphitheatre.

"As Emperor Hadrian said: I feel responsible for the beauty of the world," Mr Cucinelli offers by way of explanation, rolling up the sleeves of his shirt - his own design - as he paces his all-white office looking for an air conditioner. "Or to quote Dostoyevsky," he reconsiders, "beauty will save the world."

In the realms of Italian entrepreneurship and luxury goods, Mr Cucinelli holds a special place. At 57, with sandy-coloured hair and a bouncy, athletic gait honed through daily yoga and football with friends, he has built a cashmere sportswear business with 55 stores on five continents and an annual turnover this year of €250m.

His own-name brand, sold in resorts such as Capri and Saint Tropez, is a favourite of investment bankers and C-suite managers who can afford the four-figure price tags on his cashmere sweaters and leather jackets.

That niche market has proved resilient to the economic turbulence. Annual revenues are forecast to be up 20 per cent this year, following a 30 per cent rise last year. Next spring

Mr Cucinelli wants to list a third of the business on the stock exchange in Milan.

The brand started in the Umbrian hills when Mr Cucinelli, the son of a rural labourer, decided to drop out of engineering school 30 years ago. He got a loan from his local bank to try his hand dyeing cashmere sweaters - for which Umbria was already well known - a bright rainbow of colours.

Since then he has built his business on a beneficent feudalism born of a self-taught interest in philosophy. He calls it "humanist capitalism" and believes unbendingly that it is "the only way" forward for modern businesses "as consumers want to know, or will want to know, that their goods are made humanely".

To elaborate, Mr Cucinelli pulls out a piece of paper as he sits down at his white desk in his all-white office in the highest tower of Solomeo. To his right on the wall are portraits of European philosophers, Umbrian mystics and Barack Obama, the US president. On the bookshelves are the writings of Aristotle and Descartes. He starts to draw lines fanning outwards. "First, it is important to make a profit because there is nothing wrong with that and that is the purpose of a business. Secondly, to take some of that profit for myself and my family, because there is nothing wrong with making Brunello rich.

"Thirdly, the profit must go to the workers to give their work dignity and lastly, profit must also go towards the local community, whether that may be a hospital, a theatre, a monastery," Mr Cucinelli looks up and grins, something he does a lot.

The evidence of Mr Cucinelli's belief can be seen all around in the hilltop village, bits of which he started buying 20 years ago when it was rundown and deserted to set about making it his headquarters.

His employees, who include most of the 500 inhabitants of the sun-kissed maze of streets, as well as families in nearby villages, earn higher than average wages. They do not clock in and out. Work ends promptly at 6pm. Lunch is three courses daily for €2.80 - including wine and olive oil from Mr Cucinelli's groves - cooked by those workers who are not

The CV

- Born: Castel Rigone, Umbria, 1953
- Education: Qualified surveyor; three years of an engineering degree in Perugia. Quit before graduating to become an entrepreneur. Holder of an honorary doctorate in Philosophy and Ethics from the University of Perugia
- Career: 1978 Starts business from novel idea of dyeing cashmere bright colours
- 1987 Solomeo becomes company headquarters
- 1996 Opens first store in the Sardinian resort town of Porto Cervo, followed soon afterwards by a second store on Capri
- 2002 Opens first store outside Italy in Saint Tropez, France
- 2006 Opens first US store on New York's Bleeker Street
- 2008 Completes restoration of Solomeo, including amphitheatre
- 2010 Receives Cavaliere del Lavoro award Italy's top recognition from the president of Italy
- Interests: Philosophy, Tibetan yoga, football

in the workrooms using magnifying glasses to sew buttons or stitch on lapels.

At Solomeo's centre, Mr Cucinelli lives in the main Villa Antinori, having precisely restored this and Solomeo's housing, shops and workrooms. Mr Cucinelli says he likes to think of it as a "principato illuminato", a phrase more typically used to describe a golden age of imperial Rome.

But just as was the case with industrial philanthropists in Victorian England, there is a business rationale. Mr Cucinelli realised earlier than many of his peers in the luxury goods industry that in order to continue to command stellar prices they would have to be rooted in artisanship. And artisanship needs artisans.

"In order for people to want to stay and work with me and build their skills, they have to be offered something more," Mr Cucinelli says. He also believes strongly that companies will be forced by their consumers and employees to be humane, and that pressure starts from the very rich who can most easily afford it.

"If you buy a sweater for €1,000 and you know that the funds you are paying are also going to help to build a hospital and a school, wouldn't you think better about it? If I know a product is made well I will buy. I don't want to buy something that has harmed anyone, this is my absolutely strongest belief, and I believe other people think this too. Or if they don't now, they will."

How many other people support his theory will in part be tested when Mr Cucinelli lists his business. "I want to list, I think that is the best way forward," Mr Cucinelli says. "I think businesses live longer that are on the stock market."

But will Solomeo's beneficent feudalism stand up to the rigours of quarterly reporting? Mr Cucinelli points out that selling luxury goods is also about selling a way of life.

He recounts an episode a few weeks earlier when a group of Chinese executives and their families came to visit Solomeo.

"They wanted to buy up everything," he says. "Not just the clothes - the theatre, the dining rooms, even the olive trees."

'For people to want to stay and work with me and build their skills, they have to be offered something more'





Cucinelli in stake listing to fund growth

GENERAL RETAILERS

By Rachel Sanderson
in Milan

Brunello Cucinelli, an Italian luxury cashmere retailer, has appointed bankers to list a third of the company on the Milan stock exchange early next year.

It is the latest move among Italy's privately owned luxury goods companies to seek extra funding to expand into Asia.

The company, which is based in a hilltop hamlet in Umbria, sells cashmere sweaters and leather jackets for upwards of €1,000 (\$1,420), mostly in Europe and North America, and has emerged as a leader in the luxury niche in the past

decade. The move by Mr Cucinelli follows the successful listing of Italian luxury goods companies Prada and Salvatore Ferragamo on the stock exchange this year and the sale of Moncler, a maker of pricey sportswear, to private equity as they raise funds to reach consumers in China and South America.

Brunello Cucinelli, who has masterminded the expansion of his eponymous company over the past three decades, said he wanted to list "around a third" of the business in order to raise funds to expand into Asia, Brazil and into perfumes and watches.

The business is almost equally split geographically

between Italy, the rest of Europe and North America. China accounts for just 2 per cent of sales.

Mediobanca and Bank of America Merrill Lynch have been appointed to handle the listing of as much as 35 per cent of the company, together with a small capital increase.

Cucinelli made a turnover of €200m in 2010, a yearly increase of 28 per cent. That is forecast to rise around 20 per cent this year to €245m, Mr Cucinelli, told the Financial Times. Pre-tax profit is expected to rise to €30m, up 65 per cent, a sign of the resilience of the spending of the wealthy even amid a pullback in consumer spending. In Italy, as opposed to France,

Europe's other fashion hub, many luxury goods companies including well-known names Armani, Dolce & Gabbana and Versace, have remained in private hands. Bankers say the pressure of requiring funds to expand, together with generational change is forcing them to consider sales.

Mr Cucinelli, 57, said he wanted to list because "I think the stock market helps companies to live longer".

Italy's stock exchange, Borsa Italiana, is also promoting itself as a destination for luxury goods as it is one of the largest untapped sectors in the Italian economy.

See Business Life