

# Italy for Project Bonds On German Model Also

by Claudio Celani

The Italian government has decided to bypass the budget constraints of the European Stability Pact (which has so far prevented major infrastructural investment), by creating an agency outside the government budget to sell state-guaranteed bonds, on the model of the German Kreditanstalt für Wiederaufbau (KfW). The new agency, called Infrastrutture SpA (Ispa), will be operational in September, said Economy minister Giulio Tremonti on Aug. 1.

The KfW had been pointed to by Lyndon LaRouche and his movement in Italy as a successful model to be imitated, based on its record in managing the Marshall Plan funds for the industrial reconstruction of Germany after World War II. Italy's reconstruction was also successful, but it was run through institutions belonging directly to the Public Administration, thus creating public debt. Such institutions, like the Cassa per il Mezzogiorno, have now been shut down as a result of a fanatic free-market ideology; the current government, although not challenging that mentality directly, has shown intentions to find the financial solution to the absolute urgency of modernizing Italy's transport, energy, and water infrastructure, which are near to collapse.

Ispa will contribute 50% of the total capital required for investments listed in a strategic plan guided by the government, and updated every year. This capital will be financed through medium- to long-term bonds, while private investors will provide the rest. For those projects where European Union funds are available, Ispa will provide one third, with the EU and private investors providing the remaining two thirds. Tremonti emphasized that the new agency is not part of the public administration, and its statute was drafted after the model of the German KfW.

## 'HQ Could Almost Be in Frankfurt'

In stressing similarities between the two agencies, Tremonti said: "If you allow me a joke, we could have almost placed its seat in Frankfurt." The infrastructure statute was developed in collaboration with the Bank of Italy, which will supervise the new agency. The leader of the LaRouche movement in Italy, Paolo Raimondi, said he is satisfied with the new development: "We have campaigned exactly for a kind of instrument like the German KfW," Raimondi said, "and we are happy to see that the Italian government has picked up our proposals."

An *EIR* special report distributed in Italy since 1998 by the LaRouche movement, entitled "For a New Bretton Woods," has pointed to the KfW as a model to be taken and expanded to finance modernization of European infrastruc-

ture, and to build the "Eurasian Land-Bridge" of transport and development corridors. This campaign has led, among others, to several Parliamentary initiatives in favor of a New Bretton Woods policy. Currently there is a motion, signed by 100 members of the Senate and Lower House, calling on the government to promote a new international Bretton Woods conference, in order to establish new financial institutions able to finance large infrastructural projects.

The Italian government is under tremendous pressure to start investments to overcome bottlenecks which are slowly paralyzing the Italian transport system. Most urgent are highways, since most of Italy's commercial traffic moves on wheels. Of urgent priority are the East-West highway connections between the highly industrialized Northern Italian regions, and neighboring Slovenia, the door to Eastern Europe and the Balkans. This route has a bottleneck around Venice, where the traffic comes daily to a complete standstill. Also urgent for improvement are: the North-South bottleneck on the mountain highway between Bologna and Florence, unchanged since the 1960s; the highway south of Naples, from Salerno to Reggio Calabria; and the trans-Alpine passes to West and Central Europe (France, Switzerland, and Austria), which must double both their highway and rail lines. An accident on the Messina-Palermo railway on July 20, in which a train derailed and several people died on the century-old, unrenovated railway system of Sicily, has added a new priority.

Still number one on the list is the bridge on the Strait of Messina connecting Sicily to the mainland. Also of dramatic urgency is the water system in the southern Mezzogiorno. In July, the government had to compensate Mezzogiorno farmers whose cattle have been decimated by a drought. Droughts in southern Italy are not exceptional, but water is not scarce: A citizen of Palermo has more water availability than one from Turin in the North. But the aqueduct system is obsolete, and there is a loss of up to 80% of water in the pipelines.

## Energy Emergency

The third emergency is energy: Italy's energy production barely covers current consumption. The government has now had Parliament pass a bill for the immediate construction of new electric power stations, which it will take some years to build. Italy is paying the bill of the suicidal decision to abandon nuclear energy in 1986, thus becoming totally dependent on oil and gas imports. Since electricity production is insufficient, Italy imports nuclear-produced electricity from France! The current government is potentially oriented to review the anti-nuclear decisions, but is waiting for "public opinion" to shift.

All these urgencies are addressed by the government infrastructure plan, which now, after a bill issued Aug. 3, has reached the operational phase. So far, the limited financial resources allowed by the European Stability Pact have conditioned an extremely slow timetable. The new Ispa initiative—state-guaranteed infrastructure bonds—could turn the situation around by providing an adequate flow of capital to finance all urgent projects at once.