

tensions and regain the positive momentum toward cooperation of the 1990s. The U.S., under President Clinton, had signed an “Agreed Framework” with Pyongyang in 1994, under which North Korea had shut down its nuclear weapons program, under IAEA surveillance, in exchange for energy and food aid from the U.S., South Korea, and others (including promised construction of two modern light-water nuclear power plants). The abrogation of the Agreed Framework by the Bush/Cheney Administration led to North Korea’s renewal of its nuclear weapons program, and the subsequent testing of two nuclear weapons.

South Korean President Lee Myung-bak, although he campaigned for President on a hard-line posture toward the North’s restored nuclear weapons program, has always promoted economic development as the basis for reconciliation on the Korean Peninsula—but, only on the basis that the North give up its nuclear weapons program. Over the month of July, however, Lee took steps to moderate his position, and to work with the U.S. State Department to ease tensions.

North Korea, too, despite the serious health problems of head of state Kim Jong-il, and the complex maneuvering over possible successors, has eased its position towards the South. The government in Seoul reported this week that the number of media attacks from the North against the Lee government decreased by 40% in July, while also diminishing in ferocity.

Also, the North Korean representatives to the UN in New York took the unusual step of calling on U.S. news networks to express the nation’s willingness to meet in bilateral talks with the U.S., with everything on the table.

In his Aug. 1 webcast, LaRouche was asked by a Russian diplomat about the apparent conflict between the foreign policy initiatives of the Clinton State Department, and the increasing irrationality of President Obama and his economic team. In response, LaRouche proposed that “We recognize that we have interests in a good relationship with the people of another nation, and several other nations, and therefore, we base ourselves on that commitment to good relations.”

Later, regarding the Clinton mission to North Korea, LaRouche noted that it would also benefit U.S. relations with Russia and China, and that it exemplified the primacy of nation-to-nation relations, between the institutions, even when the head-of-state is insane, as in the case of Obama.

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Italy Debates Return to Mezzogiorno Development

by Claudio Celani

At the European conference of the Schiller Institute Feb. 21-22 in Rüsselsheim, Germany, there was a lively exchange between the German economist, Prof. Wilhelm Hankel, and an Italian participant, on whether Italy’s finances were more vulnerable than Germany’s in the crisis, or vice versa, each insisting that the other nation was in worse shape. Hankel’s argument was based on Italy’s notoriously high public debt; his Italian counterpart argued that Italy’s low corporate and family indebtedness more than offset the national debt.

Lyndon LaRouche intervened in the discussion to point out that the real weakness or strength of an economy is not measured in financial figures, but in physical terms. Thus, Italy’s historic weakness lies in the fact that its southern regions (each region is the equivalent of a U.S. state), the Mezzogiorno—Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, and Sardinia (see map)—are not sufficiently developed. Only when the Mezzogiorno is lifted to the level of the highly industrialized northern regions, will it become possible to say that Italy has lost its vulnerability.

LaRouche has fought for the industrial development of Italy’s Mezzogiorno, since his first involvement in the country’s politics, in 1976. In the early 1970s, Italy was forced by the International Monetary Fund to cease state-directed investments in Southern Italy, and adopt a free-market approach. This was the condition attached to IMF loans which Italy urgently needed to bridge a serious current account deficit, as a result of the first oil crisis.

In discussions with leading members of Italy’s Christian Democratic Party (DC), LaRouche backed the resistance against dismantling the Cassa per il Mezzogiorno (Development Fund for the South), the agency founded in 1950, based on the model of the Tennessee Valley Authority; the Cassa had successfully designed and built roads, aqueducts, railways, and dams in Southern Italy for more than a decade.

Unfortunately, especially after the assassination of DC leader Aldo Moro in 1978, the Cassa and other elements of Italy's dirigistic policy were progressively dismantled, so that the gap between Northern and Southern Italy grew again. Since Italy's governments have financed Southern incomes through public debt, this has seriously unbalanced state finances.

The Mezzogiorno has 35.6% of the national population, but produces only 23.9% of GDP. In per capita-figures, the richest northern region produces EU37,000 per annum more than the poorest southern region.

Under the euro system, this weakness is covered up by the fact that the currency value of all EU members, including Italy, is supported by the German economy. However, the vulnerability of Italy's state finances remains the main potential trigger of a crisis in the European Monetary Union.

LaRouche Intervenes

Italy's long-term participation in a future system of regulated and fair economic relationships among sovereign nations, depends on its ability to solve the Mezzogiorno problem. Thus, in his speech before the Finance Committee of the Italian Chamber of Deputies June 17-18, Lyndon LaRouche reiterated that Italy must revive the successful approach of the Cassa per il Mezzogiorno, from 1950 to the early 1970s.

A few weeks later, a national debate broke out on the Mezzogiorno issue, and the idea of reviving the Cassa was picked up and proposed by Economics and Finance Minister Giulio Tremonti. Currently, the government is drafting plans to set up a new agency, similar to the Cassa, which shall draft and implement infrastructure projects with a unified approach for the Mez-



NASA

Courtesy of Stretto di Messina SpA

The long-delayed Messina Bridge (shown here in an artist's conception), which will connect the island of Sicily with the Italian mainland, if integrated with high-speed transport networks, will help to uplift the entire Mezzogiorno. The satellite map shows the location of the Strait of Messina, where the bridge will be located.

zogiorno as a whole. Surprisingly, Tremonti's proposal has generated more support than opposition, marking a phase-change in Italian politics.

This has to do with the fact that the world crisis has not only shown the failure of globalization, but also the failure of domestic free-market policies.

Thus, the situation was ripe when, on July 16, a think tank called Svimez (Association for the Industrial Development of the Mezzogiorno) presented its yearly report. Among other things, Svimez exposed the fact that, whereas other underdeveloped regions in the European Union have had a nominal average growth rate of 3% in recent years, the Mezzogiorno has grown at a

pitiful nominal 0.3% rate; moreover, in recent years, 700,000 Italians have emigrated from the South to the North, in order to find jobs.

The Svimez report coincided with political turmoil among some Southern politicians, like Sicily’s Gov. Raffaele Lombardo, who threatened to split from the government majority and create an independent “Southern party.” All this created the opportunity for the government policy shift.

Nino Novacco, chairman of Svimez, who belongs to the group that founded the Cassa per il Mezzogiorno in 1950, told *EIR* that he agrees that there is a phase shift. Things that were demonized, e.g., state dirigism, are now looked at as the angel that can help solve Italy’s problems.

Novacco warns that if Italy fails to revive the Cassa per il Mezzogiorno policies, the country will be threatened with breakup. The reason is simple: Italy is moving towards a federalist system, i.e., more power will be shifted from the central government to regional authorities, including decision power over investment policies. If this is not countered by “extraordinary” action that places the central government in charge of large-scale infrastructure development, national unity will be threatened, Novacco says. A revival of the Cassa per il Mezzogiorno, in the form of an agency for “extraordinary” interventions, can prevent the breakup.

The Cassa per il Mezzogiorno was established precisely to carry out “extraordinary interventions,” which regional and local communities could not perform, either for lack of adequate funds, or for lack of a global overview.

The Cassa performed brilliantly, following this ap-



The Mezzogiorno (shaded area) has remained underdeveloped, as the North of Italy became highly industrialized. Economics Minister Giulio Tremonti and Lyndon LaRouche have called for a crash program to develop the entire region.

proach, until, in the early 1970s, the decision was taken to abandon its unified approach, and instead, perform a myriad of “ordinary interventions,” i.e., build the local road, the local school, etc. The decision-making center moved to local authorities who “tended and still tend to operate not on the basis of an approach of voluntary geography,” Novacco says, “but, on the basis of the demand from the existing economy and markets.” This could work in a situation where there was already growth, such as in Northern Italy, but not in the Mezzogiorno.

Eventually, the Cassa became a synonym for “clien-

telism,”¹ and was dissolved in 1993, as part of the famous “Britannia coup” that destroyed the post-war political system.²

Infrastructure Corridors

Under a free-market regime, the Mezzogiorno was abandoned, and even the opportunity offered by the Trans-European Corridors was not promptly taken. The corridors are still valid, as guidelines for infrastructure corridors to integrate the Mezzogiorno with Northern Europe, and to become the bridge to Africa. “This project is consistent with LaRouche’s concept of the Eurasian Land-Bridge,” Novacco said. He then described the European corridors: “The vertical Corridor 1, from Berlin to Palermo, which means an historic opening to North African countries, and maybe towards the hypothesis of a tunnel under the Channel of Sicily,” i.e., between Sicily and Tunisia; “the horizontal Corridor 5, going from Spain to Lyon, to Budapest, and to Russia, which means a key opening toward eastern and north-eastern Europe; and the southern Corridor 8, planned to connect Italy to Albania and Bulgaria, which means an important opening, including in regard to oil, with the Balkans and towards Turkey and the Middle East, including the Islamic world.”

In this context, the Messina Bridge (to connect Sicily with mainland Italy) which the government is determined to build, makes sense, if integrated with high-speed transport networks that include Sicily itself. “It is not simply the fact that to cross a bridge is faster than taking a ferry: Everything changes.”

In this new phase, the momentum has been built for establishing new institutions for development in Italy. Tremonti’s collaborators have characterized the initiative as “a Marshall Plan” for Southern Italy and a “choice of very strong discontinuity with the past.”

Whereas the change of policy is clear (“First we talk about things, and then, we talk money”), the issue of credit has not yet been solved. The new agency, in fact,

shall manage EU funds which are allocated until 2013. After that, the EU establishes the new regime, by which an underdeveloped area is defined as such, if its income is less than 75% of the EU average. With the enlargement of the European Union to 27 members, the “average” standard has collapsed, so that the Mezzogiorno is no longer “underdeveloped.”

However, earthquakes are going to shake the world economy in the short term, and the EU might no longer even exist by next year. Sooner or later, a full return to a state-generated, sovereign credit system, is inevitable.

French-Italian Joint Venture for Nuclear Energy

Aug. 4—The French and Italian state companies, Areva and Enel respectively, yesterday signed a deal to establish a joint venture for nuclear energy development in Italy. The agency will be called Sviluppo Nucleare Italia (SNI), and will draft feasibility studies for four 1.6 GW plants to be built, starting as early as 2012. The technology used will be the French EPR reactor. The chairman and deputy chairman of SNI will be French; the CEO will be Italian. SNI will be based in Rome.

Italy is now one step closer to a nuclear energy revival, after the infamous 1987 decision to destroy its advanced nuclear energy system. The next step will be to choose the three sites for the four plants, but according to Enel engineers quoted in the media, “sites have already been chosen, but nobody will tell you [where], not even under torture.”

The government is seeking ways to prevent the program from being blocked by anti-nuclear hysteria induced by Prince Philip’s anti-nuclear mobs in the local communities, and has moved to put the whole nuclear program under control of the military. Thus, it is reported that a new commercial agency set up by the Defense Department will manage and lease the nuclear sites.

1. “Clientelism” refers to a form of social organization, especially common in developing regions, in which powerful, wealthy “patrons” promise to provide relatively powerless and poor “clients” with jobs, protection, infrastructure, and other benefits in exchange for votes and other forms of loyalty.

2. The “Britannia coup” refers to a secret meeting held on June 2, 1992 aboard Queen Elizabeth II’s yacht *Britannia*, during which leading Anglo-Dutch financial and banking executives met with their Italian counterparts to plot the privatization of Italian State-owned companies and their sale at rock-bottom prices.