

Italy Confronts EU, Works with Trump and China

by Claudio Celani

Oct. 7—A hundred days after its inauguration, the Italian “populist” government has kicked over the chessboard in Europe and internationally in an unprecedented way, playing a major role in the ongoing paradigm change in global politics and foreshadowing an early demise for the corrupt elites that have ruled over Europe in the last decades.

Italy is opening the Mediterranean to the Chinese Belt and Road Initiative, disrupting the EU sabotage of the BRI, while building an alliance with Trump’s USA and Putin’s Russia to stabilize North Africa by favoring the super-power dialogue and pushing for economic development. At the same time, Rome is resolutely challenging EU’s austerity policy under the motto “Italians first, the EU after.”

The two coalition partners, the Lega and the Five Star Movement (M5S) are very different in many ways, and at times almost antagonistic, but they have managed to agree on a government program that emphasizes common positive features of both election platforms aimed at asserting national interests. The most important such feature is the new approach towards China and the Belt and Road policy.

Task Force China & African Development

Under the initiative of Under Secretary of State Michele Geraci, the Italian government has set up a Task Force China with the aim of “guaranteeing Italy a position of leadership in Europe vis-à-vis China’s Belt and Road and Made in China 2025 initiatives,” as the ministry for Economic Development (MISE) announced



UNDP/Lamine Bal

Italy leads new way for Europe: Under Secretary of State Michele Geraci (left) builds Italy’s partnership in China’s Belt and Road Initiative; African development focus on the Italian Transaqua project to revitalize Lake Chad (shown above) Lake Chad Conference, Berlin, Sept. 3, 2018; in favor of super-power dialogue, Prime Minister Giuseppe Conte meets with President Trump (below), July 30, 2018.



Xinhua/Cheng Tingting



White House/Stephanie Chazese

in a release Aug. 20 (see box, page 7). The Task Force held its first meeting Oct. 1 with about 300 participants, including government members, journalists, businessmen, academicians and others. The meeting was addressed by Geraci and the Chinese ambassador to Italy, Li Ruiyu.

Geraci has visited China twice in that interval, the second time with Luigi Di Maio, Italy’s Deputy Prime

Minister and Minister for Economic Development. They signed a Memorandum of Understanding (MoU) to promote economic cooperation with China's Sichuan province and start negotiations for a strategic partnership in Belt and Road projects, especially in Africa. A MoU on such a strategic partnership is expected to be signed by the two countries before the end of the year. Minister Di Maio declared Sept. 20: "We are very happy to be the only G-7 country that has carried on such advanced negotiations on the Belt and Road Initiative."

As the charter of Task Force China explains, the primary focus of cooperation with China sought by Italy is Africa. The Italian government is convinced that China's approach in Africa is the right one and that European nations should help China to develop Africa—and thus solve the migration problem at its root, and to be a driver for self-development.

It has been recognized that the key to China's success in Africa is the focus on infrastructure development. There are also good reasons to believe that the new Italian government will give a new boost to the Italian Transaqua project to revitalize Lake Chad, which will involve large water-transfers, new electricity generation, improved transportation and increased agricultural production. Transaqua was approved at the International Lake Chad Conference last February in Abuja, Nigeria and the previous Italian government had endorsed it, issuing a grant to co-finance the feasibility study. Joint Italian-Chinese cooperation on Transaqua has already been established between the Italian Bonifica firm (the authors of the project) and China's PowerChina.

Geraci endorsed Transaqua as a model of tripartite Africa-China-Europe cooperation when he was a professor of Economics in Shanghai. The future undersecretary of the Economic Development ministry published an article by this author in his [blog](#), calling it "an example to be studied by our policy makers".



ANAS

Artist conception of the proposed Strait of Messina Bridge, to connect the Island of Sicily and the Italian peninsula. When built, it will be the world's longest single-span suspension bridge.

Italy & China to Develop Southern Italy

Italy is seeking Chinese cooperation not only to develop Africa, but also to upgrade its own infrastructure within the framework of the BRI. Under the previous government, Rome had joined the Maritime Silk Road, offering to upgrade the ports of Genoa and Trieste, on the Tyrrhenian and Adriatic Seas. However, even bigger plans are possible, focussing on developing infrastructure throughout Southern Italy. Indeed, China had already shown interest in such ideas in 2011, proposing to: upgrade the deep-sea ports in Sicily and Calabria; help build the bridge over the Messina Strait connecting Sicily to the mainland; and upgrade road and rail connections to link up with Italy's high-speed network, which currently stops at Salerno. Additionally, an international airport to be built in the center of Sicily would function as a hub for connections to both Africa and North-Central Europe.

Those plans were aborted by interventions of Hillary Clinton, then U.S. Secretary of State, who represented U.S. opposition to that cooperation, and by the EU, which toppled the Italian government and replaced it with its puppet Mario Monti, who cancelled all investments.

Such an ambitious project could now be resumed. Both Geraci, a Sicilian, and Prime Minister Giuseppe Conte, have indicated that the government will have a new focus on the development of Southern Italy.

One of the obstacles in 2011, Hillary Clinton, has

been removed. The other obstacle, the EU, is still there and has already opened a three-front war against Italy.

As Bloomberg recognized Oct. 4,

With its pivot to China, Italy's populist coalition risks alienating European Union allies just as it has on migration, fiscal policy and its scorn for the EU itself. Italy's last government, under Prime Minister Paolo Gentiloni, had joined Germany and France at the forefront of EU-wide efforts to curb Chinese investment in critical infrastructure and strategic companies.

The new government in Rome has ditched that drive, according to Geraci, who said he didn't want a common EU policy on screening outside investments. "We have 28 different economies with 28 different interests," he said. Rather, Italy will push to do business with China "within the scope of our existing alliances with the EU, with NATO," he said.



Giovanni Tria, Minister of Economy and Finance.

MEF

Geraci dismissed any concerns that Italy could get in too deep with China and face a debt risk. Sri Lanka, for instance, borrowed from China to build a port and then couldn't repay the loans. Italy could learn about "what pitfalls we may be running into" from Sri Lanka, Malaysia and Laos, he said, but Italy has other issues.

"Our European friends already have a lot of Italian debt, we don't need to worry about China, it's the European Central Bank that has Italian debt," Geraci said. "The size of the Italian economy saves us from this debt trap."

Geraci speaks fluent Chinese, and he is not alone in the cabinet: Economy (Finance) Minister Tria speaks Chinese too, as he was involved for many years with China when he was Professor at the University of Rome Tor Vergata, before he was appointed to the cabinet. Indeed, Tria's first trip abroad as a minister was not to

Italy Leads the Way for Belt & Road in Europe

Italy wants to take the leadership for the Belt and Road Initiative in Europe. The Italian Task Force China set up last August, includes in its aims:

"Helping Italian companies participate in Chinese investment programs, financed by the Belt and Road Initiative both in China and along the entire route of the New Silk Road, at the same time stimulating investments in and transfer of Chinese know-how to develop infrastructure, energy and transport networks in Italy. With 25,000 km of high-speed trains already built and 21,000 km more planned, to just mention one of the many possible examples, China is currently the country that more than any

other in the world has the best knowledge in the sector of infrastructural development."

Another point in the Task Force charter says:

"China can help Italy solve the immigration problem by helping Africa: China is the country that has invested the most in Africa (already \$340 billion, much more than the \$70 billion usually estimated by analysts), with effects that are already visible in terms of the impact on poverty rates and which, in the long term, should gradually help reduce migration flows towards Europe. China's involvement in Africa offers Italy a historic opportunity of international cooperation for the socio-economic stabilization of the continent, crucial not only for a sustainable and socially responsible solution of the immigration problem, but also for the economic opportunities that will arise in the continent for Italian firms."

Brussels, as in the EU tradition, but to Beijing at the end of August.

Against EU ‘Stability & (No) Growth Pact’

The other two fronts opened against the EU are migration policy and fiscal policy.

On migration, Italy has put an end to the failed EU policy of forcing the country to rescue at sea and receive thousands of illegal immigrants who want to reach northern Europe, but forcing them to stay in Italy, and at the same time enforcing economic recipes that make such a policy unsustainable.

Matteo Salvini, Italy’s Interior Minister and Deputy PM, successfully chased away NGO ships that were suspected of colluding with human traffickers in North Africa, and in some cases refused to allow them to enter Italian ports. Salvini’s resolute attitude has provoked scornful and hypocritical reactions from several EU Commissioners and French President Emmanuel Macron, who is well known for rejecting thousands of immigrants at the French-Italian border.

On fiscal policy, the new Italian government has created a budget that includes a strong social component, as well as investment for growth. The EU-enforced austerity had thrown the Italian economy into a serious recession especially since 2011, pushing more than seven million people into poverty and slashing production to one third below the levels of 2008.

The EU “Stability and Growth Pact” mandates that so-called indebted countries reduce their budget deficit to zero by slashing their budgets every year. Italy had followed that rule. The previous government, before leaving last May, drafted a budget plan based on a 0.8% deficit in the GDP rate.



Ministry of the Interior

Matteo Salvini, Minister of the Interior.



Paolo Savona, Minister of European Affairs.

The Conte government scrapped that plan and presented a budget draft based on a 2.4% deficit for the next three years, eventually changing it to 2.4% in 2019 and decreasing the deficit the following two years. This would make about 45 billion Euro available for (a) an increase of minimum pensions to 780 Euro, (b) a general unemployment check of the same amount, (c) a flat tax for small and medium enterprises

(SME), (d) a tax cut for SMEs that reinvest in equipment and employment, (e) a fund to reimburse victims of bank bail-in procedures, and (f) 15 billion Euro more in investment above the previously planned 36 billion Euro.

In presenting the budget to the EU Commission, Paolo Savona, Italy’s Minister for EU Affairs (and the most prestigious member of the government), said that Italy had “thrown down the gauntlet to the Old Europe. Now we must win the war, because it will be war.”

Indeed, the EU reaction was just short of sending bombers to Rome. On Oct. 1, EU Commission President Jean-Claude Juncker declared in a press conference that “Italy is distancing itself from the budgetary targets we have jointly agreed at EU level. If Italy wants further special treatment, that would mean the end of the Euro. So, you have to be very strict.” And on Oct. 5, EU Commissioners

Valdis Dombrovskis and Pierre Moscovici sent a letter to Italian Economy Minister Giovanni Tria, claiming that Italy’s deficit targets were a “source of serious concern.” The move is out of protocol and resembles, albeit at a lower level, the “ultimatum” sent in summer 2011 to the Italian government by Mario Draghi and Jean-Claude Trichet, respectively incoming and outgoing chairman of the European Central Bank, which started the eco-

conomic warfare and the coup that eventually replaced Italy's legitimate government with an EU-executioner cabinet led by Mario Monti.

The content of the letter was leaked to the Italian daily *La Repubblica*: "We call on the Italian authorities to ensure that the [budget] will be in compliance with the common fiscal rules and look forward to seeing the details of the measures," said the two-page letter, of which *La Repubblica* published excerpts.

That same day, it was revealed that ECB chairman Mario Draghi had flown to Rome Oct. 3 to secretly meet Italian State President Sergio Mattarella. Media accounts of the meeting indicate that Draghi outlined the threat of a financial assault on Italy if the government goes too far with the budget. Draghi, Brussels, Paris and Berlin are very well aware of the fact that the winds of change coming from Italy will fill the sails of "populists" throughout Europe, who will sweep the elections for European Parliament next spring. This would mean the end of austerity policies and, in perspective, the Euro.

For this reason, they are engaged in a desperate attempt to crush the Italian government in the cradle, so to speak. In doing this, they are willing to start a financial crisis which could get out of control. A repetition of the 2011 scenario, when the EU toppled the Berlusconi-Tremonti government, would mean a downgrading of the Italian sovereign debt and a dramatic increase of refinancing costs for the Italian government on international markets. This, in turn, would provoke a crisis for all those banks that own such assets—basically, the entire national banking system. In 2011 these tactics worked, and under international and media pressure, the Berlusconi government resigned.

Under Attack, Government Popularity Rises

This time it will be different. Sen. Alberto Bagnai, a leading economist and current chairman of the Senate Banking Committee, made it clear in a speech he gave in Ascoli Piceno on Sept. 29 that the government and Parliament will not back down to EU schemes. Bagnai

announced that in the coming weeks, his committee will focus on two things: an investigating commission on banks and the so-called EU Banking Union.

Bagnai blasted the "one piece of the Banking Union" dealing with non-performing loans (NPLs). Behind the nice words used there, Bagnai said, "what they want is your homes! They demand to have them without going through the courts and they want them quick."

That is the reality behind the so-called "secondary market for NPLs" that the ECB wants to set up, forcing banks to sell NPLs for ten cents on the dollar to vulture funds, which will then expropriate the assets attached to the loans.

"The bail-in should be called by its real name: Expropriation," Bagnai stated, making it clear that in a financial crash the Italian government won't expropriate bank customers. The government has already set up a 15 billion Euro fund to reimburse small bondholders hit by the "resolution" of local banks in Veneto and in central Italy in 2017.

In an indirect answer to the Dombrovskis-Moscovici letter, Bagnai tweeted: "They are ridiculous. Imposing austerity has created enough problems for us, as also

where they come from. Those Fathers of Europe, who believe that their daughter will run faster by offloading one of her manufacturing legs, are dangerous but above all ridiculous."

That austerity kills was dramatically demonstrated Aug. 14 with the collapse of the Morandi highway bridge in Genoa, which killed 43 and paralyzed a strategic road connection on the North-South Rotterdam-Genoa trade route. As revealed in a government investigation, the private concession running the road (and the bridge) had omitted necessary maintenance and failed to act on a serious warning before the collapse. Autostrade per l'Italia, owned by the Benetton family (of clothing fame), had spent an average of only 23,000 Euro per year! Furthermore, the company had lied to government inspectors, reporting stability checks which never occurred.

The Genoa tragedy has fueled popular anger against



Senator Alberto Bagnai

the EU, as privatizations and austerity are two faces of the same coin: neo-liberal policies imposed with Italy's early entrance into the Euro.

In this context, the more the EU and the establishment media attack the government, the more the government popularity grows. According to the monthly Ipsos poll released at the beginning of October, the Lega runs at 34% (doubling the March 4, 2018 election result!), followed by the M5S at 28.5%. The government has a 64% approval rating, gaining not only among Lega and M5S voters (94 and 92) but also among opposition forces. PM Conte has an even higher rating (67), followed by Salvini (57) and Di Maio (52).

Conti-Trump 'Preferential Relationship'

A significant factor in the equation is the "preferential relationship" between Conte and Trump, established with Conte's visit to the White House last July 30 (see <https://larouchepub.com/other/2018/4532-trump-conte.html>), and consolidated at the United Nations General Assembly, where the two leaders had lunch together Sept. 26.

This alliance achieved its first success at the UN Se-

curity Council, when the French proposal to held elections in Libya next December was voted down thanks to the United States, which is backing the Italian position that conditions must first be created for such a vote to be successful, i.e., an agreement among all major factions. The next step would be an international conference on Libya to be held in Palermo, Sicily, Nov. 11-12, where either Trump or Secretary of State Pompeo should participate.

Italy is also playing a mediating role between the USA and Iran.

According to a U.S. diplomatic source who spoke to the Italian daily *La Verità*, "Washington cannot completely drop Iran for security reasons, and in the current scenario, Italy represents the perfect bridge, because only Italy, among major European countries, showed willingness to work with Trump's United States."

At the UN, after his discussion with Trump, Italian Prime Minister Giuseppe Conte met with Iranian President Hassan Rouhani, and Conte's diplomatic advisor Pietro Benassi had a long talk with National Security Advisor John Bolton, which focused on Libya, but also included Iran.

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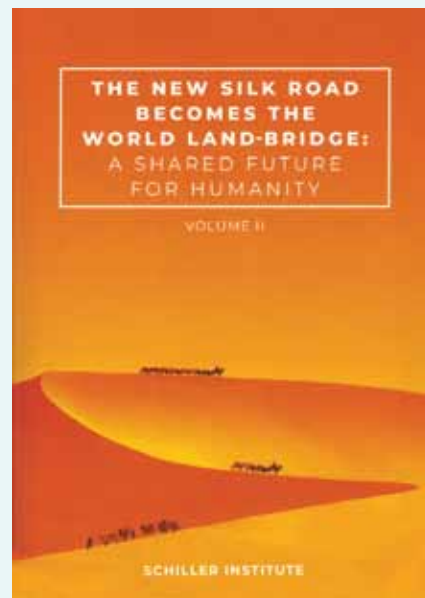
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