# Italian 'EU New Deal' Plan Gains Momentum

by Claudio Celani

On the eve of the European Council meeting of ministers of the European Union on June 20-21 in Saloniki, Greece, the Italian government confirmed its intention to push through a "European New Deal" program of public investments in infrastructure. The Italian initiative reflects the growing influence of U.S. Presidential pre-candidate Lyndon LaRouche's interventions in Italy and among its parliamentary leaders, since 1997, around his forecast of the current global economic collapse, his New Bretton Woods proposal, and his Eurasian Land-Bridge infrastructure strategy. The breakthrough grows out of a LaRouche's 15-year fight, beginning with his European "Productive Triangle" in 1989-90, and found shape in the "Delors Plan," proposed by then-European Commission President Jacques Delors.

Italy's new plan is gaining momentum, against plans for "structural reforms"—which are, in fact, attempts to loot pensions and health insurance in order to bail out the financial bubble. In a draft circulated among its EU partners, describing the program for when Italy chairs the EU for the semester beginning July 1, Rome has put infrastructural investments among the top priorities on the agenda of the EU, which will include 25 states in 2004. Speaking before the Italian Senate Finance Committee June 18, Finance Minister Giulio Tremonti reported on his EU discussions on the "Action for European Growth" plan (the official name of the "New Deal" program). He said that, due to the international economic crisis, "only a strong relaunching of public investments can succeed in reversing the trend of the economic cycle. The Italian government is aware of the strategic nature, at this historical moment, of a strong increase of investments aiming to supply Europe—and Italy, of course—with a material and non-material infrastructure network, in order to relaunch competition and productive efficiency."

Tremonti also responded to a joint initiative by the finance ministers of France, Germany, and Great Britain, who have published a paper calling for "structural reforms" privatizing pensions and health care, in response to increased public debt and deficits throughout Europe. These initiatives will fail, Tremonti said, if they are not associated to undertaking infrastructural investments.

Reflecting the two opposing policies, Italian Deputy Finance Minister (and International Monetary Fund "mole") Vito Tanzi recently resigned in disagreement with Tremonti's policies. Tanzi, a former IMF official, explained to the daily *La Repubblica*, that he could not push his ideas through, telling the interviewer, "I insisted, that a modern state must take responsibility to improve the market." Instead, "I did not always find clear and unequivocal ideas in the government, although it is a center-right government. Often, we had conflicts on the issue of the market. . . . I would have liked a more liberal attitude, more concern for the market."

Not unexpectedly, enemies of the Italian initiative have tried to torpedo it, with legitimate and illegitimate means. One of these was a smear attack against European Commission President Romano Prodi by the London *Financial Times.* Surprisingly, Prodi, a former Prime Minister and political rival of Prime Minister Silvio Berlusconi (he is supposed to run as opposition candidate in the next general elections), had supported the Italian government plan. The perspective of collaboration between the rotating Italian chairmanship of the European Council and the EC President—a former Italian Premier—gets the "New Deal" plan off to a good start, to be implemented. The *Financial Times* on June 15 alleged that Prodi had covered up an embezzlement scandal involving Eurostat, the central office of European statistics. The article, like an elephant's fart, generated a lot of noise and made a big stink, but was soon gone with the wind. EU Commission spokesman Rejio Kempinnen called the *Times* allegations "pure trash."

Prodi branded the story "a journalistic accident," in an interview with the Italian financial daily *Il Sole 24 Ore;* more importantly, he revealed that he and Tremonti "have been working since March to create a stronger European policy of intervention in Trans-European Networks: highways, railways, high-speed broadband communications, invisible infrastructures, such as research and development." Prodi endorsed Tremonti's idea of bypassing the budget restrictions in the Maastricht Treaty Stability Pact by establishing an Investment Facility at the European Investment Bank. "There is a common philosophy shared by the EU Commission and the Italian chairmanship, to start this new stimulation," Prodi said.

The new European credit facility proposed by Rome can start pouring 70 billion euros in credits into infrastructure, each year, beginning some time in 2004. This has not yet moved with the urgency or on the scale required by the nature of the economic crisis, but it is a dramatic turn of economic policy in the direction indicated by Lyndon LaRouche. Recognizing this aspect, Domenico Siniscalco, Director General of the Italian Finance Ministry, said in Brussels June 12 that the impact of the Italian "New Deal" plan on the European economy "will depend on its dimensions and on the immediacy of its operation." Siniscalco told *Corriere della Sera* June 14, "The economy is not performing and it is not enough to wait; we need orthodox supply policies, structural reforms, but also an investment policy to increase productivity. We respect the Stability Pact, but the European problem now is not to stabilize public budgets: The problem is to relaunch the economy."

The volume of credit for infrastructure can be multiplied, Siniscalco said. Describing the role of the "new European investment facility" which is supposed to finance infrastructure off-budget, Siniscalco explained that similar facilities at national level can be activated by EU members. Thus, the Italian Infrastrutture Spa (Ispa) "can play a role, together with the Caisse des Dépôts et des Consignations in France, or the KfW [Kreditanstalt für Wiederaufbau] in Germany, in partnership with the European Investment Bank. . . . There will be long-term loans (up to 35 years) with state guarantees, joint shareholder initiatives, private loans, and ad hoc corporate financing."

## Mediterranean Development Bank

Rome wants to apply the same method to promote investments in the Mediterranean region, especially joint ventures among small and medium-sized firms of various countries. Therefore, Italy will propose creating a Mediterranean Development Bank during its semester as chairman of the European Union. The bank, or "Euromed Fund," was mentioned repeatedly by Italian government representatives during the "Euro-Mediterranean" Conference, organized by the Milan Chamber of Commerce on June 16-17, where much emphasis was placed on Italy's role in re-focussing attention on development in the region. In particular, the goal is to increase investments and cooperation between small and medium-sized companies throughout the littoral, and thus—as Lombardy Gov. Roberto Formigoni put it—make Italy the link between the industrialized West and the East, through the Middle East and North Africa.

During his visit to Northern Italy in May, Lyndon LaRouche repeatedly encouraged the political and industrial figures with whom he met, to work to create new financing mechanisms for technology transfer towards the nations of this region. He was also the lead speaker at an event organized by Promos, the same agency which organized the Milan event for the Chamber of Commerce (see *EIR*, May 23).

Notably, the political climate at the "Euro-Mediterranean" conference was one of optimism that the Italian semester will be instrumental in making proposals to deal with the economic crisis, with attention focussed on trade and infrastructure, rather than on such losers as the "new economy" or "financial modernization." This, despite the fact that some of the participants are generally identified as free-market liberals. There was high-level participation from the Italian business community and government (the Economics, Industry and Foreign Ministers), along with political and business representatives from Mediterranean countries such as Syria, Lebanon, Algeria, and Turkey.

During the round-table discussion, Bassil Pleihan, President of the Economics Commission of the Lebanese Parliament, put his finger on the key for getting such a financing mechanism to succeed. "A new bank is fine," he said. "But there must be additional money, not just a shift in [responsibility for] the money which already exists under the European Investment Bank."