
BANKING

Bank of Italy indictments: an opportunity not to miss

The indictment on corruption charges of Paolo Baffi, the Governor of the Bank of Italy, could develop into either a disaster or a unique chance for Italy to regain control over its domestic and international currency operations. In the present governmental vacuum, the cessation of the bank's functioning may have significant destabilization

potential. But, if the right forces run the operation in the right way, the long-time British control over the bank could be broken at last.

The indictment charges Baffi with "complicity and private interest in official actions." It carries the same legal weight as an arrest warrant, but the prosecuting judges did not jail Baffi because of "his ad-

vanced age and the possible negative international repercussions." The Bank's Deputy Director and the head of its Vigilance Committee, Mario Sarcinelli, was arrested and jailed on the same charges on March 24.

The indictments stem from an investigation which the bank opened in the autumn of 1977 into the disposition of special low-interest loans which various Italian banks made to the chemical conglomerate SIR. The central bank, specifically its Vigilance Committee under Sarcinelli, is responsible for safeguarding the interests of depositors in the other institutions involved. The investigation was designed to determine whether the subsidized loans to SIR were misused or fraudulently applied by the chemical giant.

The Bank of Italy investigation closed in the spring of 1978. In September, the Vigilance Committee

CORPORATE STRATEGY

International battle in the electronics industry

While most corporations key their activities to market share in a given field and gauge their success relative to the "competition," there are many instances where corporation policy is wielded as the instrument of national or supranational interests. This is nowhere more true than in the electronics industry.

On the international level, electronics battles have less to do with international market shares than with the politics behind the method and purpose of doing business. The big battle shaping up currently is between the Anglo-American con-

ception of electronics application and that of the Japanese, who are now looking to the European Monetary System (EMS), and especially France, as allies.

Characterized by one market watcher as "1984 versus the 21st Century," the Anglo-American/Japan-EMS fight is essentially the arena for using electronics for larger-scale control of world markets, especially banking (electronic funds transfer), the Anglo-American approach, as opposed to the large-scale industrial application and very rapid techno-

logical development favored by the Japanese and French.

How "private enterprise" is involved in this war is instructive. Take the case of Intel, a highly successful U.S. semiconductor manufacturer. Intel's board chairman, Robert Noyce, demanded in the March issue of *Electronic Business* a four-point program that would strike at the heart of the Japanese zaibatsu industrial system.

Noyce demanded: an "active market" for U.S. semiconductor products in Japan; an end to the two-tier pricing system which allows differing Japanese domestic and export prices; opening the Japanese telecommunications system (Nippon Telephone and Telegraph) to outside bidders; and "sincere affirmative action by Japan to change the culturally ingrained 'buy Japan' attitude."

These demands, it turns out, have nothing to do with improving Intel's competitive position. Intel grew by 66 percent in 1978 over its

met twice to review its report. By January of 1979, a top lawyer of the bank recommended no legal action be taken and Baffi rubber-stamped the decision. In March, Sarcinelli turned the files on the case over to the Rome magistrate Antonio Alibrandi at the judge's request. Now Alibrandi and his colleague Luciano Infelisi are charging that the bank failed to report evidence of wrongdoing to them.

Sarcinelli was interrogated in his cell on March 26, and defended himself on the basis that the bank's investigation found no evidence of wrongdoing. Therefore, there was no judicial reason to turn the files over to the magistracy. The Vigilance Committee did so only at the judges' request. His lawyer is trying to get the charges dropped, or at least to secure his release on "provisional liberty."

Meanwhile, the bank was shut

down for 24 hours on March 26 in an unprecedented protest strike. The senior management, including Baffi, are threatening to resign *en masse* if the charges are not dropped. Italy's left-wing press is writing in defense of the two bankers, including the Communist Party daily *L'Unita*, which charges that the whole thing is a political move by the extreme right. The more centrist press, such as Milan's *Corriere della Sera*, is mooted an attempt to discredit the ruling Christian Democrats.

The repercussions of the Bank of Italy indictments may seriously affect the future of SIR, which has been in the red since 1975. One of the banks involved in the case is IMI, the largest medium-term credit institution in Italy, which holds a large part of SIR's debt. IMI has been trying unsuccessfully for the past year to put together a consortium of banks to bail the chemical

consortium out. IMI's strategy would have SIR in the black by 1982. But if the magistracy's charges of corruption are borne out, the consequences could be devastating not only for SIR, but for its creditors as well.

On the other hand, if Baffi is ousted and if a successor is appointed who would clean out the rest of the economic agents of the British crown in the bank, then not only SIR but the rest of the Italian economy would be in a much better position. If the lira is able to take a strong independent role within the EEC and the European Monetary System, then the chances for getting the EMS functioning are great. In that case, there would be a real future for chemicals, and banking, in Italy.

—Mary Sonnenblick

23 percent growth the previous year, and is the fastest growing company in the sprinting semiconductor market. Furthermore, in the Jan. 5 issue of *Electronics* magazine, Intel's Executive Vice President, Andrew S. Grove, claimed that with mandated microcomputer installations in autos due in 1980, the semiconductor industry will not have the production capacity to meet the demand.

Surely then, Robert Noyce can only be representing a "national interest" in his demands on the Japanese — who are now in Washington negotiating this very issue with Special Trade Representative Robert Strauss's aides. In fact, the U.S. produces domestically 96 percent of its semiconductor consumption (Japanese imports amount to 1.6 percent), and the U.S. industry has cornered over 60 percent of the world market. In comparison, Japan supplies only 90 percent of its semiconductor needs domestically. Perhaps the Japanese should be

complaining instead.

To shortcircuit the EMS

Not only is the Anglo-American strategy to block the Japanese from markets in their most advanced technology, but to preclude alliance with the EMS nations.

In a letter to *Electronic News*, March 19, Robert C. Scrivner, chairman of Northern Telecom (Canada), a Commander in the Knights of St. John (British) and propagandizer for the "wire society," said, "Everyone is shooting at the U.S. market while keeping domestic markets closed up tight against competition. If the Japanese situation (Nippon Telephone and Telegraph procurement practices) is forced to open up, then the European national cartels will be next."

Three days later in London, the *Financial Times* Conference on "Tomorrow in World Electronics" heard the EEC Commissioner for Industry, Viscount Etienne

Davignon argue for an EEC-wide electronics program. This program, like the Davignon steel plan, would shut down "ailing industries" and shift investment towards electronics to "combat U.S. and Japanese competition."

The *Financial Times* then editorialized on March 23 that "where the EEC Commission can and should play an important part is in curbing national protectionism...there is an urgent need to open up public procurement (especially in agencies like the Post Office)..."

That these attacks similarly focus on the national communications systems, indicates not only a thrust against the French plan for the semiconductor industry — which President Giscard sees as key to French high-technology exports — but against a Japan-EMS alliance as well.

—Leif Johnson