

Bankers squeeze Italy, remind some of 1922

by Leonardo Servadio

On Aug. 13, Moody's Investors Service dropped Italy to an AA3 credit rating. One of the main reasons given was the default of Efim (Ente Partecipazioni e Finanziamento Industria Manifatturiera), a holding company linked to the Italian state which is responsible for bailing out public industries on the verge of bankruptcy.

With a \$3 billion exposure on the international markets, the Italian government decided to close down Efim and started proceedings to liquidate it. The foreign creditors did not accept the terms set by Italy, and in tandem with Moody's downgrading, they threatened legal action in a City of London court to have Efim declared in default. If successful, the suit would allow them to reject the Italian government's payment plan (80% of the debt over five years), and impose immediate collection of all of Efim's debt, or else all the properties of Efim could be seized by the creditors. These include strategically key industries like the helicopter maker, Augusta. Foreign creditor banks are also threatening to bankrupt all the other state-owned Italian corporations, unless the Efim debt is immediately repaid in full.

Like Mexico in 1982

Discussions are ongoing in London between the international bankers (including Mitsubishi, Chemical Bank, Bankers Trust, Union Bank of Switzerland, and Barclays) and the Italian state. The banks claim they loaned to Efim because it was known to be state-backed, and on this basis are demanding immediate repayment. The Italian state claims that the credits were given at market interest rates, i.e., at rates used for entities which are considered at risk, and so insists on its partial repayment schedule. The pressure is mounting as the negotiations go on. The Aug. 20 *Wall Street Journal* quoted bankers comparing the Efim case to that of the bank nationalization declared by Mexico in 1982, and threatening retaliation.

Meanwhile, Enrico Cuccia, chairman of Mediobanca, Italy's only merchant bank, put out the word that it is time to privatize Banca Commerciale, one of the biggest and most profitable Italian banks.

Banca Commerciale, or "Comit," is a public bank. The very Anglophile Sr. Cuccia, the *éminence grise* of Italian capitalism, has had a plan for some years to make Comit "the"

bank of northern Italian capital. Comit is the only Italian commercial bank and the first bank to have been privatized by 50% a few years ago.

Cuccia's plan is called *Galaxy of the North*. The Cuccia-controlled Mediobanca would buy the majority of the shares of Comit in alliance with Assicurazioni Generali, the Venetian insurance octopus, and the Gemina holding company. Gemina is dominated by the Agnelli, the Fiat auto tycoons, but all the major capitalist families of northern Italy—the Pirelli tire fortune, the Pesenti cement magnates, the Orlando, Lucchini, and so forth—have substantial shares in it.

Albeit this group includes Italy's biggest capitalist fat cats, they do not have enough money to buy Comit: They would need to be joined by a foreign bank. Cuccia is known as a longstanding friend of Lazard Frères, the New York investment house.

The daily *Corriere della Sera* on Aug. 21 stressed that the Comit privatization was rejected when Cuccia first proposed it three years ago. Today, the Italian state may not have the strength to reject it. Politically, the state is under attack by the North League. Legally, all the political parties are in the dock of Judge Di Pietro's kickback investigations. The Efim story has eroded Italy's credibility abroad. "With the selling of Comit the government would suddenly get back an enormous credibility on the international markets," wrote *Corriere's* Giuseppe Turani.

Turani's articles in *Corriere* and in the Aug. 20 *Wall Street Journal*, have an overtone of blackmail. It is worth pointing out that the three years since Cuccia first floated his "Galaxy of the North," coincide with the meteoric rise from nothing of the North League as a regional, quasi-secessionist party, and the scandal-ridden collapse of more traditional parties.

Former Christian Democratic Party president Flaminio Piccoli, in an interview published in the weekly *Il Sabato* on Aug. 20, foresees "an extremely hot autumn." "The big apparatus which manipulates things in Sicily and that has killed [Judges] Falcone and Borsellino is not Sicilian. It is an Italian apparatus. It hits in Sicily because it is the weak point of the system. But we will feel its bite also in Rome and Milan. There will be blood in the streets. . . . Therefore, I say that Di Pietro is in danger. They need a victim . . . in order to say: See, they killed the one who was putting in jail the thieves in the parties." Judge Di Pietro's prosecution of the kickback scandals has made him a national hero of the revolt against the "party system."

Who will profit from this turmoil? "Those who will come after," said Piccoli. "I see an analogy between now and 1922. And the new Fascism can have many different faces." In 1922, national-socialist agitator Benito Mussolini, backed by the City of London and northern Italian capital, staged a ridiculous March on Rome which could have been stopped in minutes by the Italian Army. Instead, he went on to install the Fascist dictatorship.