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## Italy

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# Two pipelines key to energy prospects

by Dr. Giuseppe Filippini

On Jan. 16, one day after Italian Socialist Party leader Bettino Craxi proposed pulling down the Italian government next spring over the debate on tax laws, the research office of the Italian large manufacturers' association Confindustria presented a report "predicting" that 1982 will see the collapse of the Italian economy.

The report foresees a precipitous drop in productive investments this year and hence an increase in unemployment from 9 to 14 percent. This means adding one million jobless to the two million already officially recognized as unemployed—not counting the vast numbers who are underemployed or receiving government unemployment benefits.

"This is the price that must be paid to lower the inflation rate to 16 percent," the Confindustria report proclaims. But far from being an "objective" projection, this report is viewed by many here as an effort to impose a South American-style economic recipe on Italy, with Craxi waiting in the wings to become Prime Minister and "restore order" through totalitarian reforms of the constitution. The fact that Nobel Prize-winning wizard Lawrence Klein of the Wharton School, author of many an economic plan for South American dictatorships, was brought in to give a speech supporting the Confindustria report did little to quell suspicions.

### The Socialist angle

Critics point to the fact that Craxi's allies in the national oil monopoly ENI, their new patron Armand Hammer (who recently bought into ENI), and politicians such as the Socialist Defense Minister Lelio Latorio, have spared no effort to sabotage key energy projects that would help Italy avert the economic catastrophe. The Polish events have been used by the Socialists as the pretext to sabotage the construction of the Siberian gas pipeline to Western Europe which the Italian government, together with ENI and the state-controlled steel company Finsider, had concluded with the U.S.S.R., West Germany, and France.

Most U.S. press commentaries have stressed the West German participation in the East-West pipeline

project and Chancellor Helmut Schmidt's manifest reluctance to sacrifice this deal in the face of U.S. pressures for economic sanctions against the Soviets. Italy's stake in the pipeline is, however, also extremely high.

Finsider is committed to sell \$130 million dollars' worth of steel tubing, and La Nuova Pignone, another state holding, is committed for 19 of the 22 pumping stations (to be paid starting in 1985 at 7.8 percent interest), plus other lesser orders.

Once it is finished, this pipeline will be able to pump 40 billion cubic meters of natural gas into Western Europe from Siberia annually, of which, according to the agreements, more than 8 billion will go to Italy. The payments for the imported gas, in the form of technologies that France, Italy, and the Federal Republic of Germany shall export to the East, will be the decisive factor in broadening commercial exchanges between East and West—a prospect of great interest to Italy's economy.

### The Algerian question

But the situation of the gas pipeline between Italy and Algeria is even more scandalous.

Since last October, the pipeline which links Africa to Italy via the Sicilian Channel and the Straits of Messina has been ready. When the methane duct is completed in 1983, 12 billion cubic meters of methane gas per year should arrive in Italy, but already around 4 billion cubic meters could be pumped.

But the spigots remain closed, despite the efforts of various Italian politicians to open them.

What are the obstacles to reaching an accord? The official one is price. The Italy-Algeria accord goes back to the national unity government of Prime Minister Giulio Andreotti in 1977. Precise figures are not at hand, but it seems that Algiers is asking \$6 per BTU (27 cubic meters) whereas SNAM, the ENI subsidiary involved, wants to pay less than \$5.

It is a fact that Algeria is currently invoicing France \$6.11 per BTU for gas, but that France is paying only \$4.30, reserving the right to pay the difference in the form of technology transfers. It is obvious that a similar solution would be ideal for Italy.

The Algerian pipeline, once in use, would also give Europe the possibility of exploiting deposits in Nigeria and the Arab peninsula. Such programs would increase exponentially the trade between Europe, Italy, and the Arab and African nations, provided that the Third World debt is reorganized.

In turn, they make development of industry in Italy's South—long the sore point of the Italian economy—indispensable, with Italy's state-owned steel, chemical, and engineering industries playing the key role in that overdue development.