

ITALY

Low-intensity war against Arabs

By Diana Johnstone

THE MOST ACTIVE ANTI-SEMITISM in the West today is directed against the *other* Semites—the Arabs. There are parallels with past outbreaks of anti-Semitism against Jews. Rich Arabs have lent a lot of money to Western banks. As the time draws near when the banks might have serious trouble paying back debts, the Western world discovers that Arabs are poisoning the wellsprings of civilization. They are "terrorists," they are "destabilizers," they are surrogates for the Evil Empire.

This is most apparent in Italy, where American influence and the media—which often amounts to the same thing—are pushing the country into a new policy of low-intensity conflict with much of the Arab world. This will require serious foreign policy changes and probably a new Italian government by year's end. The mood is being set by sustained indignation over presumably Arab-backed Palestinian terrorism, plus a new (to Italy) current of racism fueled by resentment of rich Arabs and by fear of the growing presence of poor immigrants from the African continent and the Mideast.

Italian foreign policy has been based on preserving good relations with both sides in the Arab-Israeli conflict. Recently this has involved a distribution of roles among the government's three top figures. The Republican defense minister, Giovanni Spadolini, kept close to the U.S. and Israel. The Christian Democratic foreign minister, Giulio Andreotti—a major political figure quite beyond suspicion of harboring leftist sympathies—kept up relations with the more radical Arab states, Libya and Syria, in the hope of eventually being able to use Italian influence to promote a peace settlement with Israel. In the middle, the Socialist prime minister, Bettino Craxi, tried to promote moderation through friendship with Egypt and Tunisia and by trying to offer balanced criticism of Arab extremism and Israeli intransigence.

This policy has been based on the widespread conviction that a compromise settlement could be reached between Israel and Yasser Arafat's Palestine Liberation Organization (PLO) that would simultaneously solve the problems of Palestinian statelessness and Israeli security. The Israeli bombing raid last October 1 on PLO headquarters near Tunis was probably a fatal blow to this policy. A dozen Tunisians were among the 73 people killed by the raid, which was hailed by the White House and probably assisted by the U.S. Navy.

Such treatment produced deep shock in moderate Tunisia. To reassure his Tunisian friends that they had not been abandoned by the West, Craxi expressed his "profound indignation" at the Israeli raid. This and the ensuing events—the *Achille Lauro* hijacking, the U.S. interception of the Egyptian Boeing forcing it to land in Sicily—shook apart the Italian government coalition. Spadolini resigned, demanding a clear alignment with the U.S. and Israel. Craxi managed to get a mandate from the Italian parliament to put the coalition back together, but its days are numbered.

The talk of Italy is the power struggle between the uncrowned king of Italian industry, Giovanni Agnelli of FIAT, and Craxi. Agnelli's financial empire recently acquired a 59 percent majority in the major Rizzoli press group, which includes the Milan-based newspaper *Corriere della Sera* with the largest circulation in Italy. Since FIAT also owns the Turin daily *La Stampa*, this gives Agnelli the lion's share of the press in the industrial and financial centers of northern Italy. Craxi's faithful deputy in the Italian Socialist Party (PSI), Claudio Martelli, has complained that the FIAT "monopoly" of the northern Italian press

"is all the more worrisome if we take into account the policy of FIAT. Agnelli seems to be a citizen of the U.S. more than of Italy."

The weekly *Panorama* suggested, "FIAT is really disappointed with the Craxi government's economic policy, after the promising start in 1984. Some people stress that the strategic interest of the Turin colossus—meaning FIAT—are pushing it ever closer to the high-technology countries, starting with the U.S., and that this is provoking a growing irritation toward the foreign policy most dear to Craxi, obsessively projected toward the Mediterranean."

Ten years ago it seemed quite a coup when Agnelli persuaded Libya's Col. Muammar Khadafy to invest a big hunk of Libyan oil money in FIAT—13 percent of its shares. But today there is much less reason to court Arab oil money. The Arab states are saturated with weapons sold to them by all the Western powers. The drop in oil prices is reducing the Arab states' purchasing power and is making them less interesting customers. As for Arab investment capital, where can it go to earn high interest except to the U.S. or Western Europe? True, there are a multitude of small or medium-sized Italian companies doing good business with Libya and other Arab countries, and Craxi and Andreotti are trying to look out for their interests. But those interests may conflict with those of a big multinational like FIAT.

The sure thing

The surest way to make money these days is Star Wars contracts. Star Wars requires militarization. Militarization requires an enemy. "International terrorism" will do just fine.

Agnelli has always preferred the small laic parties, especially the Republicans, to the Christian Democrats. But the current chairman of the Christian Democratic party, Ciriaco De Mita, has turned his back on the social priorities of the Catholic party in favor of economic policies more in line with those of Ronald Reagan and Margaret Thatcher. De Mita's recent trip to Washington—where he received the blessings of the Empire from Reagan at the White House—was viewed in Italy practically as a mandate to form the next government.

Meanwhile, Israeli Prime Minister Shimon Peres attacked Craxi in an interview with the weekly *Espresso*. "I do not believe Craxi can play a peace-maker role by adopting a unilateral attitude. If he wants to contribute, he must be a friend of both sides," said Peres, who maintained that Craxi was "on one side against Israel." After expressing satisfaction that "Reagan represents the majority in the U.S., he's a reliable ally of Israel and in the front line of the fight against international terrorism," Peres went on to say: "I think simply that if Italy doesn't get organized, it risks suffering a lot. I mean that terrorism can endanger the lives of many innocent people and also economic activity. And it can also create the impression that Italy is soft on terrorism."

To Italians sensitive to the insinuations of "Mafia language," this sounded like a scarcely veiled threat to use Israel's influence on U.S. policy to punish Italy unless Italian policy got into line.

Having Labor Party leader Peres as prime minister has helped Israel mend fences with European government or party leaders who are fellow members of the Socialist International after the estrangement caused by Israel's 1982 invasion of Lebanon. Mitterrand has renewed France's tradition of close cooperation with Israel in nuclear and intelligence matters, interrupted by De Gaulle. Peres' "close friend," Spanish President Felipe Gonzalez, got his country to establish diplomatic relations with Israel for the first time. Peres' term in office has clearly



Giovanni Spadolini (above) and Bettino Craxi (below)



Waging war requires foreign policy changes and a new government by year's end.

paid off, but it is scheduled to end in eight months. The "peace process" that Peres was supposed to be advancing dramatically will then be turned over to Likud leader Itzhak Shamir, the former chief of the terrorist Stern gang.

"If at the end of his mandate, Peres cannot show a record of progress to a future of peace for his country and neighboring peoples, he can celebrate the failure of a policy and I will be the first to regret it," Craxi said recently. He may find himself out of office about the same time as Peres, although he is not known to give in easily.

The impossible dream?

A majority of Italians almost certainly approve of Craxi's policy. So, probably, does a majority of the parliament: not the majority that supports the existing five-party coalition, but a different theoretical majority comprising Craxi's Socialists, several factions of Christian Democrats and the Italian Communist Party. This has set some advocates of a "left alternative" to dreaming of a Craxi government supported by the Communists on the basis of a program rather than a party coalition. Some Communists hope that Craxi is ambitious enough to turn to them rather than accept the heave-ho. But it scarcely seems realistic to imagine an Italian government that does not have the U.S. stamp of approval. Besides, it is the president, Christian Democrat Fran-

In fact, it is Spadolini who is riding high and setting policy. Stressing Italy's "Western consciousness, Western soul," he preaches the need for the country "to get farther away from Mediterranean and North African temptations, and cling desperately to the Alps as its point of contact with the Western world." Spadolini allows one exception to this repugnance for the Mediterranean south—Israel. "It is not easy to be a friend of Israel in Italy. But for me it's a moral question," Spadolini told the Israeli press.

Spadolini defined his country's new defense policy at an historic January 31 session of Italy's Supreme Defense Council, made up of President Cossiga, Prime Minister Craxi, leading cabinet ministers and the armed forces chief of staff. Priority was officially shifted from the potential enemy in the East to the threat from the South. "The threat to our security doesn't come only from the Northeast.... The Mediterranean is our new frontier, the Southern front is the bastion our soldiers must man," said Spadolini. "The danger is international terrorism, in the sense of a strategy adopted by states and governments of the region to destabilize the area without recourse to traditional offensives, the defense minister added.

Spadolini and much of the Italian press tried to make this shift sound like an assertion of "independence" from NATO that is dictated by specifically Italian security needs. In reality, it is mere obedience to the Reagan administration line laid down in January 1981 by Reagan's first secretary of state, Alexander Haig, when he gave priority to the fight against "international terrorism." The assertion that "international terrorism" is part of a "strategy" to "destabilize" Western democracy has become a standard Reaganite cliché.

Yet there is no evidence that the claim is true, or even that it means anything. It seems to be essentially a case of projection—that is, the Reagan administration is definitely trying to "destabilize" regimes it doesn't like (in Nicaragua and Angola, for instance) through "low intensity warfare" and projects its own motivations onto the other side. This is part of the spreading Reagan Doctrine on the Third World, a war that is cheaper and safer than war with the Soviet Union. Instead of American boys, "proxy forces" and mercenaries may be employed. There is no need actually to win, only to keep the target country drained and destabilized. There is the chance that the people being destabilized may try to destabilize back—which would be "international terrorism."

The need for the U.S. to get involved in the war against international terrorism in order to keep the money flowing into Star Wars and other Pentagon pursuits was discussed in a recent article by Joshua Muravchik of the Washington Institute for Near East Policy. By his reluctance to fight, Defense Secretary Caspar Weinberger "may have succeeded in giving the defense cutters the tool they finally need to overcome his resistance. What is the purpose, they and the taxpayers may ask, of acquiring all those weapons if the circumstances under which they may be used almost never arise?" Muravchik wrote.

The secretary of the Italian Supreme Defense Council, Gen. Pietro Corsini, simply translated this need for war into Italian when he said recently that the nuclear balance of terror between the two superpowers had made direct war unlikely. "What thus becomes more profitable and less dangerous is a strategy of indirect warfare that finds its highest expression in international terrorism and in the pan-Islamic dream of Col. Muammar Khadafy." This is ideological conformity, not analysis.

On February 4, Israeli fighter planes forced down a Libyan executive jet in an unsuccessful search for Palestinian terrorist leaders. This flagrant violation of international law was denounced throughout the region, and in Israel by Knesset member Matti Peled, as "state terrorism." But this time Craxi said nothing, to the surprise of observers.

SURRENDER

By David Morse

DUQUESNE, PA

DOROTHY SIX IS, FOR ALL PRACTICAL purposes, dead. The 26-year-old blast furnace that U.S. Steel wanted to tear down and workers wanted to save has finally succumbed—not to the wrecking-ball but to the results of a feasibility study.

The significance of Dorothy's rise and fall extends well beyond Pennsylvania's Mon Valley because the project shows both the potential power of grassroots organizers to save threatened industries and the economic powers arrayed against them. For several agonizing months, steelworkers in the Mon Valley had awaited the outcome of an independent feasibility study that would determine whether the big furnace could be restarted economically as a stand-alone facility, probably under some form of worker ownership.

Hopes had been raised a year earlier when a pilot study suggested that the furnace—located outside Pittsburgh in the town of Duquesne—might play a key role in halting the industrial erosion that has laid waste to the Mon Valley. Commissioned by the steelworkers' union and carried out by Locker/Albrecht Associates, the preliminary study concluded: a growing market exists for the Duquesne mill's semi-finished steel products—slabs and other marketable shapes that are the basic feedstock of the steel finishing industry; production costs could be kept low enough to compete successfully with low-priced imports of foreign slabs.

Mingled with the hope was plain-and-simple patriotism. Dorothy would be filling a gap in the "hot end" of American steel-making—the most crucial but least profitable part of the spectrum, which is being abandoned most rapidly by American steel-makers as they face global overcapacity. (This country has only 46 blast furnaces still operating, out of 200 operating seven years ago. The U.S. is the only advanced industrial nation incapable of meeting domestic steel needs.) So the project had enormous appeal, serving as a bridge between academics and blue-collar workers, between clergy and pols, and even between the United Steelworkers of America (USWA) headquartered in downtown Pittsburgh and the maverick locals out in the Valley.

That Dorothy's slabs would be competing with imports rather than with domestic producers had another virtue. Presumably this would facilitate cooperative arrangements for marketing and distribution. This prospect, along with the possibility of worker-community ownership, excited hopes that a born-again Dorothy might signal a turnaround for American steelmaking.

On the basis of the optimistic Locker/Albrecht study, it remained for a larger investment banking firm with credibility on Wall

Street to complete a more comprehensive study and draw up a financial package to attract private capital. Chosen for this role was the investment banking firm Lazard Freres & Co., which had drawn up the Employee Stock Ownership Plan package for Weirton Steel. The Lazard Freres report, originally scheduled for release early last fall, would provide the last word for potential investors.

With the delays, however, the mood in the Valley grew cautious. And when the report was finally released on January 8 all hopes were dashed. The authors reported that while a market unquestionably exists for Dorothy's output, it is highly segmented and demands so wide a variety of sizes and grades of steel that a large and highly sophisticated caster would be needed. (Continuous casters generally have become a bellwether for investment in steelmaking facilities: a plant without one is a plant whose days are numbered.) In Dorothy Six's case, the caster recommended by outside experts would cost at least \$132.5 million.

Along with other capital improvements and operating expenses, including transportation and marketing, this would raise the cost of Dorothy's steel to more than \$262 per ton. At that price it could no longer compete with foreign slabs. The most optimistic projections, with the mill operating at 90 percent of capacity, suggested Dorothy would lose nearly \$28 per ton. The report concludes, "reluctantly but necessarily, that...under current circumstances financing for the rehabilitation of Dorothy Six will not be forthcoming from the private capital markets."

High-tech vs. low jobs

Reaction to the news varied widely in Pittsburgh, where a covert war smolders between proponents of blue-collar jobs and advocates of a high-tech future for the region. Commentators of every political stripe claimed victory. Radio station KQV, owned by anti-labor steel heir Richard Scafe, broadcast a gleeful editorial on the theme that sometimes you can't see the forest for the trees, and that Dorothy Six had been "the biggest local tree," blocking the public's vision of a regional economy based on "futuristic technology, computers, robots and the service industries." The *Pittsburgh Press* editorialized that U.S. Steel was right all along in wanting to kill off the furnace, whose demise might now have the "healthy effect of turning energies away from trying to revive the past in the Mon Valley and toward wooing new industries that will be the wave of the future."

The *Pittsburgh Post-Gazette* expressed disappointment, noting that the campaign to save Dorothy Six had "resonated with public support" and quelled apathy toward the future of steel in the Mon Valley. The project had spurred public officials into a "more creative and active role in the formidable

job of shoring up the region's shrinking base of manufacturing industries." The editorial called for an accord among U.S. Steel, the United Steelworkers and the local governments on terms for modernizing other steel-making facilities in the Mon Valley.

The latter point was emphasized in the union's response. Lefty Palm, director of USWA District 15, said that on the basis of the study the union would "insist" that U.S. Steel install a continuous caster at the Edgar Thomson Works, the smaller furnace remaining to serve the Valley. Presumably such insistence would be included in the next contract negotiations, representing a potentially significant shift in the union's position. Palm defended the need for an independent study, whatever its conclusions: "Our union didn't come into existence because we trusted the word of U.S. Steel."

He also noted that the study represented a first step toward "a new process" in motion. "We are putting corporate America on notice that before a company throws workers out of jobs we are first going to find a way to require access to operating data and the financing of studies by independent organizations to give us information that prevents a shutdown."

Members of the Tri-State Conference on Steel—the group of steelworkers, clergy and community activists that led the fight to save Duquesne—voiced similar confidence. Jim Benn, staff coordinator of Tri-State, expressed disappointment in the study's findings, but noted that the study was specific to Dorothy Six and affirmed the likelihood that endangered facilities elsewhere in the Valley might be saved. Tri-State's purpose all along was larger than any one mill, he emphasized.

"Duquesne was in many ways a distraction for us. It became a one-plant fight," Benn said. Nevertheless, the fight around Duquesne raised awareness and helped forge an enduring political alliance among labor and community interests; it built credibility for Tri-State, moved the union into a more creative role and served as a catalyst in the formation of the Steel Valley Authority, according to Benn.

The fight has just begun

"The struggle for Duquesne and the results of the study have brought more voices to the demand for a Valley-wide assessment of basic industry," Benn said. That is the bright side: in a real sense, the fight has just begun.

Yet disturbing questions remain. First, why were the findings of the two feasibility studies so wildly disparate? Bob Erickson, an economist and member of Tri-State, confessed that "the size of the gap was a shock to everybody."

One reason is that U.S. Steel refused to cooperate for the first study—Locker/Albrecht is a small, labor-oriented firm—but the steelmaker opened some of its books for Lazard Freres. Consequently, the au-

thors of the two reports held different assumptions of U.S. Steel's attitude toward a stand-alone Dorothy Six.

Mike Locker of Locker/Albrecht took the position that a cooperative, even symbiotic, relationship might develop between Dorothy Six and U.S. Steel's other mills. For instance, a mutually advantageous bargain might be struck that used U.S. Steel's vast—and underutilized—rail and barge network for transporting raw materials, in exchange for slabs. Or U.S. Steel might