

Italy will go through hard years, but is able to solve problems by itself: expert

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By Marzia De Giuli

MILAN, Italy, Nov. 10 (Xinhua) -- Italy is experiencing a severe trust crisis that will lead to years of economic suffering, but it has solid fundamentals which could eventually allow it to turn around, Alberto Forchielli, President of the thinktank Osservatorio Asia, told Xinhua on Thursday.

"Italy is already in recession. Its demand and development will drop, and the country will go through two very hard years, and then through another hard 10 years," said Forchielli, also the founder and CEO of Mandarin Capital Partners - the largest Chinese-European private equity fund.

In his view, Italy is experiencing a historical moment very similar to the one right after the Second World War.

"In the same way the country started developing in 1950 after going through five terrible years since 1945, it will finally manage to turn around from the current crisis without outside help due to its solid economic fundamentals," he said.

"In fact, a great part of the Italian debt is owned by Italian families, whose private debt is very low, while their private savings almost double the country's public debt," he noted.

He also added that Italy's gold reserves, which are worth 170 billion euros (over 230 billion U.S. dollars), are the third largest in the world, after U.S. and Germany.

Taking all these into account, Forchielli said Italy would be able to pay off and refinance its debts next year, because "a risk of insolvency does not exist in the country," he said.

In fact, due to its solid fundamentals, Italy's situation is similar to the French one, and very different from Greece Portugal and Spain, Forchielli said.

Moreover, he added, Italy has a deep sense of belonging to the EU, of which it was one of the founding countries.

"Saying Italy is the same as saying Europe, as if Italy collapses the euro would collapse, and with it the whole EU project would fail bringing its member states back to centuries ago," he said.

Regarding the rumors that some speculators are "attacking the euro," he said that this was an "unfounded conspiracy theory".

"The problem is that when investors perceive a risk, they start selling which also triggers speculative waves in the financial markets," he said.

As a consequence, Forchielli added, if Italy's yields continue to soar as happened in the past days when they went over a critical threshold of 7 percent, the country would go through a much more severe recession.

In order to avoid this scenario, Italy needs to regain as soon as possible from international markets the trust that it deserves through implementing quickly some necessary austerity measures, including for example a property tax, and a reform of the pension system and public service.

Forming a technocrat government after premier Silvio Berlusconi's resignation, likely on Saturday, would be the best solution to deliver those unpopular reforms that "everybody has considered fundamental since many years ago but no politicians had the courage to implement," he said.

Editor: Chen Zhi