SICUREZZA TERRORISMO SOCIETÀ

Security Terrorism Society

INTERNATIONAL JOURNAL - Italian Team for Security, Terroristic Issues & Managing Emergencies

4
2016

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SICUREZZA, TERRORISMO E SOCIETÀ

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4

ISSUE 2/2016

Milano 2016

EDUCATT - UNIVERSITÀ CATTOLICA DEL SACRO CUORE

SICUREZZA, TERRORISMO E SOCIETÀ
INTERNATIONAL JOURNAL – Italian Team for Security, Terroristic Issues & Managing Emergencies

ISSUE I – 4/2016

EDUCatt - Ente per il Diritto allo Studio Universitario dell'Università Cattolica
Largo Gemelli 1, 20123 Milano - tel. 02.7234.22.35 - fax 02.80.53.215
e-mail: editoriale.dsu@educatt.it (produzione); librario.dsu@educatt.it (distribuzione)
web: www.educatt.it/libri

Associato all'AIE – Associazione Italiana Editori
ISBN: 978-88-9335-108-9

copertina: progetto grafico Studio Editoriale EDUCatt

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Sovereign Wealth Funds and the Italian Case

Laris Gaiser, Pietro Schioppetto

Key Words

SWF, geofinance, economic intelligence, public intervention

1. Sovereing Wealth Funds

Sovereign Wealth Funds (SWF) are state owned funds of investment that manage portfolios of financial activities. Such funds began in the 1950s with the foundation of the *Kuwait Investment Authority (KIA)* — 1953 specifically, 8 years before the independence of the country from the British Crown — and have increased dramatically with the end of the past millennium, on the wave of development in the financial sector. Considering the definition given by the International Monetary Fund (*Sovereign Wealth Funds — Generally Accepted Principles and Practices — Santiago Principles, 2008)*, SWFs are funds or other vehicles of investment created purposely and possessed by governments for macro-economic goals; they hold, manage and administer their own activities in order to reach specific financial objectives, employing various strategies of investment including external activities; they generally derive their own availability from a surplus of balances of payments, operations on the official reserves of currency, income of privatizations, fiscal surpluses, or export turnovers of raw materials (Curzio, Miceli 2009). Their origin, that is historical antecedent, can be traced to the Companies of the East and West Indies founded by European sovereigns (French, English, Dutch, Danish, and Swedish) during the 16th and 17th centuries. These presented certain characteristics common to the investment funds of today. Just as today certain sovereign subjects have surpluses of foreign money tied to the sale, generally, of raw materials such as petroleum or gas, so too in the past the industrial revolution produced wealth for certain monarchs to invest in order to promote the economic development of their own countries — as well as the expansion of colonial empires — giving life to the interweaving typical of geo-politics and geo-economics, that still today characterizes that type of activity. The importance of understanding the SWFs is in the fact that they can be used in a targeting way in strategic sectors for the economies of the countries. They can

be the object of attention on the part of intelligence since they could easily lend themselves to operations of "colonization countdown" (Jean 2012). For example, their work could lead to failures of foreign countries present in the sectors in which others intend to acquire monopolies, or to create a market that is more suitable to the sale of their own products. Sovereign funds can be differentiated on the basis of their own finalities: funds of stabilization, funds of savings, companies of investment of reserves, funds of development and funds of retirement. The definition of SWF given by IMF excludes the official reserves held by central banks, companies of public property in the traditional sense of the term, public or private pension funds that directly deliver the retirement loans and that are financed through retirement contributions, and obviously any financial activity managed or held by private groups. The main actors in this field are the countries of the Persian Gulf, Singapore, China, Russia, and Norway and up until a short while ago, Libya. Having passed through alternative phases in which they were first ignored, then looked upon with worry, and therefore accepted with benevolence due to the international economic crisis, and finally fallen into the same difficulties due to the world climate, there are almost 60 sovereign funds today with an activity of almost 4 trillion dollars and the first ten most important operators hold 77% of the total patrimony. By 2017 it is estimated that the goods in possession of SWFs could accumulate to 8 trillion dollars. We are talking about conspicuous figures, and if one recalls that 80% of SWFs pertain to governments of the Middle East or to emerging countries of Asia, it is easy to understand why their investments receive particular attention by western politics. The strategic sectors and national security are easily exposed, at least in theory, to their penetration, also because it is clear that as an expression of state willingness, their action on the international market is impregnated with geo-political aspects and are bringers of interests that fit beyond the maximization of returns. SWFs are global actors that are capable of influencing markets and states. As we will see in the following analysis, however, the great world economic powers have up until now known how to respond to the potential political use of funds, by issuing laws of defence or by acting politically so to limit their influence.

From a historical point of view, the decision of the British administration of the Gilbert Islands, today the Republic of Kiribati, to give life to the *Revenue Equalization Reserve Fund* in 1956, in order to capitalize on the annuities of the local phosphorus mines, followed the institution of the *KIA* in 1953. In the 1970s, in the wake of the increase in petroleum prices, the exporting countries accumulated great quantities of fine currency that had to be reallocated. Abu Dhabi, Alaska, USA, Canada and Singapore formed their own sovereign funds. The 1980s and 1990s were characterized by a sensitive

fall in prices of unrefined materials and by the growing globalization that facilitated the flux of capital and created commercial imbalances between the countries that were indebted and those that accumulated financial reserves on the basis of exportations. Oman and Libya were convinced that their future development could not be trusted to petroleum and gas alone and founded, respectively, the *State General Reserve Fund* in 1980 and the *Libyan Arab Foreign Investment Company* — which came before the *Libyan Investment Agency* (LIA) — in 1981. Like a wheel, Brunei (1984), Norway, Malaysia (1993) would follow. In the 1990s, it was above all the currency crises that hit the emerging countries. They restricted certain sovereign entities to allocate their currency wealth to investments with more secure returns. The Chinese *Safe Investment Company* (1997), the *Hong Kong Monetary Authority Investment Portfolio* (1998) and the *Korea Investment Corporation* (2005) were founded. The increase in prices of unrefined materials in the beginning of the new millennium would finally give a final propulsive incentive to the phenomenon of the SWFs that would give them a considerably increase to their number and capitalization. By 2007 and 2008 these funds became among the main international actors of the financial sector that had definitively entered into the crisis and were in need of saving. During these two years, two thirds of all transactions undertaken by SWFs since 1995 were recorded with two important trends: the first of geo-economic nature brought a preference of investments toward Europe and the Unites States; the second of sectorial nature brought the net preference for the banking and financial sector with 92 billion dollars invested — more than half of those in the USA — in only 12 months.

SWFs are instruments that represent the capitalism of a state with a distinctly geo-economic nature or, if one prefers, geo-financial. 35% of the total *assets* of SWFs pertain to countries of the Middle East based on petroleum revenues. 37% is linked to the Asian area where the *China Investment Corporation* (CIC), the Singaporean *GIC Private Limited* and the *Temasek* are the leaders of the area and for the most part the SWFs are based on the fiscal and monetary surpluses of Beijing's trade revenues from its exports. North America barely arrives at 2% with the *Alaska Oil Fund* and the Canadian *Alberta*. Africa holds 4% while South America can count on the Chilean retirement fund based on the derivatives of copper exports that holds 2% of the sector. Europe in proportion to its own economic power can be said to be practically absent with 9%. On the Old Continent, we can count on the Norwegian retirement fund and two Russian funds (*Reserve Fund and National Wealth Fund*) — based on unrefined and gas revenues — together with some marginal funds, the more recent French and Italian strategic funds and the

Irish retirement fund. The European Union as a political entity is completely absent.

The fact that the countries of the EU are not protagonists in the sector theoretically leaves the counterparts with greater margins of movement and pressure. Therefore, in Europe as in the United States, they have watched the emergence of the growing economic clout of sovereign funds following the crisis of subprime mortgages in which they intervened with their capital in various international banks such as USB, Merrill Lynch and Barclays, the perplexities have grown and sometimes full-scale suspicions on the political use of funds. They arouse this perplexity because of the possible interferences of foreign governments — mainly non-democratic — in the management of enterprises. If we want to be more precise we can identify three types of possible problems: a) pertinent to possible penetrations in the strategic sectors of the domestic economy and consequent capacity of influence of the choices at the international level; b) control and sale of strategic goods or transfer abroad of industrial knowledge; c) problems tied to public security. Today, Germany, France and the United States are countries that have adopted protective measures in the face of SWFs, for the most part due to their lack of transparency.

The international sector does not have generally accepted existing regulations and the size of funds are usually inversely proportional to their transparency. In order to avoid such difficulties in the future, the position that the European Commission, the International Monetary Fund and the OECD take will be very important. All three organizations listed above have published behavioural suggestions in recent years with the goal to facilitate the exchange of information and comprehension, that is, the collaboration between receiver and giver. The OECD has adopted the ministerial declaration on SWFs and the politics of receiving countries (OECD 2008), the group of work of the IMF, a code of auto-regulation pertinent to the means of reporting, governance and transparency, known as the Principles of Santiago — voluntary rules to assure that the funds operate as subjects of the market with sufficient clarity — and the European Commission has published *"The so-called Sovereign Wealth Funds: regulatory issues, financial stability and prudential supervision"* (Mezzacapo 2009) in 2009. In this document, despite all of the cares of the case, the Commission asks national governments to avoid the adoption of protectionist measures against investments of Sovereign Funds, recalling the attention of member states to the fact that possible restrictions against investments are already compatible with the principles established by the EC Treatise, in particular those regarding the free circulation of capital.

All of this clarifies how the big international actors watch attentively to the evolution of these vehicles of public investments. The possession of import-

ant financial resources and their strategic, coordinated use can affect changes in geo-economic equilibriums in the international system given that the SWFs are, clearly, an extension of state power between the public and private sectors and therefore an integral part in the field of economic intelligence. These do not always act by merely following the financial logic of the maximization of profits, but rather they sometimes follow the goals that can be considered a prolonging of power. While the private sector is generally oriented toward profit in the short or medium term, the SWF are not subject to this type of pressure, they are the property of the strategic-state, which was hinted at in the introduction. In 2009, the Pentagon organized a two day military exercise in Maryland. The emphasis of these war games was placed not only on military aspects, but also on the global economic scenario and the related spheres of influence of nation states. One of the proposed scenarios was that of an unexpected and improvised withdrawal of a SWF that was hostile to the United States in a context of a generalized geo-political crisis (Csurgay 2011). This demonstrates with what attention the big powers follow the phenomenon described here and with what depth they study its possible effects. Those who occupy themselves with economic intelligence must recall the fact that the size or the financial weight of a SWF is not always of primary importance. Very often the geo-political weight of the owner state is more important. Despite the fact that it is the United Arab Emirates hold the majority of goods in sovereign funds, the reallocation of investments from the country have less of an impact than those made and forecasted by larger countries with fewer financial resources, such as Russia or China. In the geo-financial game that we are discussing, the psychological perception of power is therefore of fundamental importance (Kirshner 2009). Vladimir Putin represents one of the rarest cases of public declaration of pursued strategic directives (Putin 2006). The use of funds, before the economic downturn caused by the EU/USA sanctions related to Ukraine issue, was completely integrated with the geo-political and geo-economic objectives of the country. According to President Putin, the financial means obtained by exports from the extraction of raw materials — the principal resource of the nation — must be used to help socio-economic development in Russia. If the country does not have a sufficient system of small and medium-sized industries to create, in the medium term, wellbeing and stability, the public administration must burden itself with a "*top-down*" strategy that contributes to the creation of a stable social state. Furthermore, the earnings that derive from international investments must be able to guarantee the updating of technologies and the development of additional scientific knowledge so that the great industrial complexes can continue to compete with the Western multinational organisations in the segments of primary importance for Russia, namely aviation, defence and ener-

gy. The strategy delineated by Putin has produced its first results in the past ten years and has signified the abandonment of the neo-liberal development model in favour of the strategic-state model oriented toward the perfection of economic intelligence in the historical vital sectors. The goal of the Russian external strategy is, alternatively, to re-earn positions in the neighbouring areas that Moscow considers as within its sphere of influence: Caucasus, Central Asia and Eastern Europe. On the other hand, the most recent laws regarding this do not follow any international logic based on reciprocity, given that, while Russia acts proactively toward the external in coordination with agencies of intelligence, the latter, specifically the FSB, are actively involved in the control of possible external penetrations of controlled funds by states in the ownership of 39 companies that are part of the sensitive sectors of nuclear energy, aerospace, natural resources and the industry of defence.

The second giant, perceived as such, is China, which is clearly interested in pursuing the "*go global*" strategy, that is, the internationalization of the Chinese economy, coordinated by the Office of State Enterprises and by the Commission for the control and administration of public goods that predicts within the context of China's peaceful development (*peaceful rise*), with which the Asian giant wishes to become a central power in the world equilibrium without having to deal with military tensions or conflicts, a substantial jump in the economic quality that favours the strategic-state as a whole. The funds handled by Beijing are different from those of Moscow. They are not based on returns generated by natural resources, of which the country is running out, but by balance surpluses from exports, from great quantities of foreign money and savings held in the nation's coffers. The People's Republic, like that of its Russian neighbours, used SWFs to earn geo-political influence. By directing it, for the most part, towards regions rich in raw materials, such as Africa, China locked in their industrial supply chain which fuels a middle class that is today estimated to be about 300 million people. The rest of the capital from the SWFs is directed towards the West where it hopes to gain political influence and technological know-how. The guiding principles the Chinese authorities follow concerning the use of financial capital are: a greater "earning in impressive quantities of foreign money held, to reduce the excess of liquidity and savings in circulation, to gradually reduce the goods based on the American dollar, to reduce the international pressure on the national currency due to the undervaluing of the tax of exchange, to facilitate the globalization of their own financial sector, by receiving new experiences, to obtain the transfer of technologies that help the transition toward an economy based on the knowledge the produces goods with high added value, to develop the strategic international force and to earn geo-political influence in the various corners of the world." (Csurgay 2011, pag.58)

In this sense, we can cite two emblematic cases of SWFs for geo-economic use that illustrate the aspirations of China and the effective coordination of state economic intelligence. In 2004, the Chinese Lenovo Group acquired IBM's personal computer business in a deal worth 1.75 billion US dollars. The investment led to the acquisition and transfer to Asia of technological knowledge with which Lenovo was able to become a relevant player in the sector of personal computers and to make a jump of general quality in the industry of the country toward a "*knowledge based*" society. The second case of particular relevance can be found in the acquisition by the automobile company Geely of Volvo from Ford, in 2010, for 1.8 billion dollars. The greatest benefit found for the Chinese producers was to be in the acquisition of information, as well as productive capacities, in adherence to the standards requested by EU markets.

China holds 1 trillion and 152 billion dollars of the public debt in the USA and in 2010 its Sovereign Wealth Fund acquired over 9 billion dollars in shares of American enterprises, including Morgan-Stanley, Bank of America and Citigroup. In addition to this, it possesses significant shares in Apple, Coca Cola, Johnson & Johnson, Motorola and Visa. Interdependence is the instrument with which Beijing seeks to pave the way for its own *peaceful rise* and to safeguard itself against threats and obstacles set down by rival countries. We are dealing with a geo-economic strategy based on capital in exchange for security, capital in exchange for sovereignty, and capital in exchange for political autonomy and for non-interference. The investment moves guided by state interests do not have only a purely market value, but are deeply characterized by geo-political values with large-scale consequences, and the United States feel themselves called into action. To maintain the advantage, they cannot respond, even on other sections of the chessboard.

During the bipolar confrontation, Africa was used as a continent in which the United States and the USSR could conduct their own "proxy wars", by competing at a distance. With the Fall of the Berlin Wall, the continent went back to being "forgotten" in that it was not vital for the world equilibrium and for the single superpower that had remained on the earth. Following this, the RPC knew how to seize upon the opportunity by rushing into the void that was left and slowly positioning it as a privileged partner, above all, one that was not intrusive, since it did not interfere in the doings of internal politics and did not demand democratic standards. Beijing knew how to use its own resources to earn itself a strong political advantage that it was also able to demonstrate to the world, on the occasion of the Forum on China-Africa Cooperation held in 2006, to which they presented to 48 African nations. The use of the SWF has played a pivotal role in Chinese geo-political strategy.

Energy companies of the country are today significantly present in Angola, Nigeria, Chad, Libya, Guinea, Sudan, and Algeria (Claire 2008).

As already underlined, SWFs are clearly an instrument of economic intelligence suitable for pursuing market objectives together with geo-political objects. All this gives form to worries for which the western democracies have not been able to find adequate answers. As underlined by Brad Setser in the *Special Report, n. 37* edited by the *Council on Foreign Relations* by the title *"Sovereign Funds and Sovereign Power"* (2008), the principal strategic problem is found in the fact that the political and military power of a debtor also depends on the support of the creditors and China is a creditor of the international system *par excellence*, as well as a majority holder of US debt. In the international system of equilibriums it is difficult to imagine that a power can feel sufficiently free when its own financiers are not even an allied country. For the United States the "financial weakness of the debtor (…) becomes a strategic vulnerability" and the non-democracy of the majority of countries that control Sovereign Wealth Funds become a "political vulnerability of the *soft power* of the USA" (Curzio, Miceli 2009, pag.97). Nevertheless, despite the fact that it is clear that the growth relative to SWFs could, in the future, contribute to modifying the means of confrontation of the big powers and general equilibriums, up until now, there have been no striking examples of threats to the national security of OECD, EU countries, or towards the USA. Sovereign Wealth Funds tend to be attracted to situations of stability and by favourable economic climates. However, it is also true that the past does not necessarily represent the future and certain operations that have already been carried out by sovereign funds in the United States, Australia and Europe have contributed to foment the debate that is internal to national security, that is, to the defence of the national interests, by reinforcing, furthermore, the conviction concerning the necessity of introducing new safeguard laws, and in this way, by scratching the sanctity of the theorem of free exchange and the flux of capital in the globalized world. In 2005, the *China National Offshore Oil Corporation* (CNOOC) launched a hostile public offer, valued at 18.5 billion dollars, against the American petroleum company, *Unocal Corporation*. Within a few months (November 29, 2005) the *Dubai Ports World* (DPW), controlled by the Sovereign Fund of Dubai, *Dubai World*, attempted a hostile acquisition of the *Peninsular and Oriental Steam Navigation Company* (P&O), a company that managed the main ports of the United States (including those of New York and New Jersey), through a public offer, valued at 5.7 billion dollars. In Australia, over the course of 2007 and 2008, the large investments made by the sovereign funds, *Temasek* of Singapore, and by *China Investment Corporation* (CIC) caused a clamour. The acquisition of a stake (14.99%) of Rio Tinto (one of the biggest mining companies

in the world) by Chinalco, a *state-owned Chinese enterprise* also caused concerns. The worries concerning the risk associated with investments into strategic enterprise that Sovereign Wealth Funds would participate in became the object of many public declarations by those of political authority. This paved the way for processes focused on introducing new national disciplines regarding foreign investments and a phase of national enterprises held to be strategic or to review those that were already existing.

In the month of October 2007, The USA equipped themselves a new law for the regulation of investments from abroad, called Foreign Investment and National Security Act of 2007 (FINSA), updating the competencies of the Committee on Foreign Investment in the United States, chaired by the Secretary of the Treasury who was guilty of having given the "green light" to the above-mentioned acquisitions. The European Union, on the other hand, did not remain immobile. Concerns were also expressed by the President of the European Commission, Josè Miguel Barroso, who had confirmed that the "European Commission was really concerned with the way in which certain Sovereign Funds of third countries were operating, even if they represented, without a doubt, an opportunity for Europe. Funds of public and private European investment were subject to strict rules of governance and information; we cannot allow non-European funds to be managed in an opaque way, and used to achieve strategic-geo-politics (Alvaro, Ciccaglioni 2012, pag. 20).

During those years within the European Union, the then-President of the French Republic, Nicolas Sarkozy, among others, was also concerned, and on several public occasions had wanted to manifest his own fears toward Sovereign Wealth Funds, above all with the reference to the lack of transparency of the related systems of *governance*. Already on September 10, 2007, the French President, at the end of a meeting with the German Chancellor, Angela Merkel, had hoped for "*particular attention*" for the sectors in which the competition was "*distorted by Sovereign Funds*". During the session of October 21, 2007, Sarkozy proposed the creation of European Sovereign Funds to the European Parliament, one for each state, that could front the recession and "*defend strategic European industries from possible hostile actions on the part of non-European countries*". On February 8, 2008, he furthermore declared that *"France would not provide inert aid to the growing financial power of the Sovereign Funds and of those who were speculating with particular audacity. It is out of the question that France will stand still without reacting."*(Gaiser 2016, pag.151) Even the European economic and social committee, in turn, in its opinion, on November 5, 2009, the purpose of which *was "to consider the impact on industrial change of Sovereign Wealth funds (SWF), and Alternative Investment Funds (AIF). AIF are Private Equity (PE) and Hedge Funds (HF)." It confirmed that "Many OECD governments have*

stressed the importance of monitoring and possibly regulating SWF. There is a concern that SWF investments are a threat to national security and their lack of transparency has fuelled this controversy. In turn, this provokes protectionism and economic nationalism amongst recipient countries. A further concern is the lack of accountability which could cause SWF to distort or destabilize financial markets." (Gaiser 2016, pag. 152).

Therefore the European Commission initially reacted in 2008 with the Communication *A common European approach to Sovereign Wealth Funds* in which the principal EU institution related that "*within the EU, several Member States are looking at whether to make their own policy response [with respect to the rapid expansion of Sovereign Wealth Funds]*" and that "*recent experience shows that the opacity of some SWFs risks prompting defensive reactions. Indeed, in recent months, several Member States have been under pressure to update national legislation and to explore applying exceptions to the application of the principles of free movement of capital and establishment.*" (Gaiser 2016, pag. 152)

Following this, the Commission published the already cited *Economic Papers* in 2009, with which they tried to direct member states toward an approach that would recall the orientations of the Justice Court in its law, that made reference to the *golden shares*, *action specifique*, or, according to the Italian order, to special powers of the state in the privatized companies, which means that the states have the right to limit foreign investments when it is necessary to pursue goals that care for the public order and national security. Motives of a purely economic nature are therefore inadmissible. Nevertheless, moving at the international level can be risky for the integrity of the internal market that, in recent years, due to the economic crisis, has already suffered pressures that have seen it on the brink of a cliff, together with the entire European construction. To have 28 heterogeneous positions does not add up to a sufficient response; nevertheless the Commission today does not have the powers to directly negotiate agreements with third parties on direct investments. The most probable scenario is that single countries will continue to operate, each on their own, elongated lists of sectors to monitor, watering down the specifics as occurred in the USA, France, Germany and Japan, in which one regularly speaks of the defence of the "sensitive infrastructures" (Curzio, Miceli 2009, pag.109). As suggested by Alberto Quadro Curzio (2009), perhaps it would be good to begin to think not only from the defensive point of view but also from the offensive, that is, the proactive, positioning oneself as the EU in the market of Sovereign Wealth Funds in order to have the opportunities to play on the same level and also to take advantage of such financial vehicles in order to better amalgamate the common market or the collaboration between countries of the Euro group. A European

Sovereign Wealth Fund would underline a retaking of the capacity of institutional economic engineering that in its 50 years of construction, the EU has abundantly demonstrated and it would be concrete sign of revitalization of the process of cooperation that underwent so much damage from the economic crisis of the last few years and from the often weak connected decision of the continental political representatives. The fund could be constituted by official gold reserves of countries adherent to the Euro system and would immediately become one of the biggest SWF in the world with an estimated capacity of about 400 billion euro. This endowment would immediately have positive consequences:

- the EU would go from a passive to an active player in the world of SWFs;
- the EU would be able to invest in the "internal" market, financing enterprises, banks and infrastructures;
- the EU would raise the standards of transparency and operation of SWFs to the global level;
- the European Sovereign Fund would be a part of a project of broad breath that would provide the emission with European titles of public debt.

During the initial period of research for a solution at the European level, the French President, Sarkozy, brought forward his own national solution that culminated in November 2008 in the launch of the SIF, that is, of the Strategic Investment Fund with an initial capital of 20 billion euro. The fund, that was activated very quickly, received its objective from the politics the goal of protecting national enterprises from possible unwelcome acquisitions. The work of the SIF was oriented almost immediately in favour of operating industrial enterprises, above all in the sector of advanced technologies, not to mention operations in support of small and medium-sized enterprises for which it gave life to a fund of *private-equity* that allowed or stimulated their invention. Other initiatives of the Strategic Investment Fund was characterized with the creation of a specific fund dedicated to biotechnology and in stipulated agreements of collaboration between various national *software* producers. The SIF possesses several characteristics than distinguish it from traditional state industry.

First, it acts as minority shareholder, investing in firms that are at the top level of their respective markets, relevant for national competitiveness because of their technologies and assets. This practice recently joined the majority shareholder model as a viable alternative to control the economy and became a popular choice for States, even prevalent in countries like India and Brazil (Musacchio, Lazzarini 2012). It is often complemented by special voting rights like double voting for state-owned shares in France and Golden Share and Golden Powers in Italy (Alvaro, Ciccaglioni 2012).

Secondly, The Fund acts as a Long Term Investor, assuming business risk and supporting industrial plans. By putting a profitability limit to its action,

the French State defends itself against accusations to act to recreate a center of state-owned industries or to rescue bankrupt companies.

Thirdly, SIF has established partnerships with other SWF in order to make joint investments in the national strategic enterprises, thus allowing the French authorities to permit foreign investments on which they are able to keep close supervision.

The SIF represents thus a highly innovative experience that sharply contrasts with EU's action stagnation. In the last years, the European network of national SWF has never progressed from a project stage. Only recently EU re-assumed an active role of economic growth promotion with the Junker Plan.

France instead progressed on its on path of development, creating a new kind of Investment Funds that, while maintaining many features similar to the ones of SWF, has different objectives and structure. This same pattern has been quickly followed by Italy with its Italian Strategic Fund (Fondo Strategico Italiano, FSI), now renamed CDP Equity, whose experience is analyzed in the second part of the article.

2. A peculiar case of SWF: the Italian Fondo Strategico Italiano (now CDP Equity)

For complex historical and cultural reasons, Italy faces difficulties in articulating and pursuing its national interest (Graziano 2007). In the last decades the country has slowly reacted to new possibilities of the global economy. But in recent years, security threats and original examples of public investments have pushed for new forms of intervention. The impending need to defend Europe's second largest industrial sector with scarce public resources, led to the intervention of Cassa Depositi e Prestiti (CDP) which mobilized resources around 58 billion Euro between 2009 and 2014 (Cassa Depositi e Prestiti 2015).

CDP, traditionally active in the sectors of postal deposits and local authorities finance, became a public company in 2003. Therefore, it deeply changed its nature and activities of investment and internationalization. In the investments field, CDP assumed a central role in supporting public policies, passing from a financial holding dedicated to finance investments of the public administrations to a real National Development Bank that grants liquidity to the bank system to ensure credit access to the Small and Medium Enterprises (SMEs). Towards internationalization CDP is initiator and core sponsor, together with European Commission, EIB and CDC, to KFW, to the Spanish Institute de Credito Oficial, to Polish PKO Bank and to Marguerite Infrastructure Fund while together with BE, CDC, the Egyptian Hermes Bank and the Moroccan Caisse des Dépôts et Gestion, it sponsored the In-

framed fund for infrastructure in the countries of southern and eastern Mediterranean (Bassanini 2015).

Acting out of the perimeter of the state sector (although owned 70% by the Ministry of Finance) its operations constitute a form of state intervention that does not fall under Maastricht constraints (Ninni 2013). Its interventions are not considered State aid and its financial activities are not consolidated in the Italian public debt.

Currently its goal is to mitigate the weaknesses of Italian productive system: under capitalized companies, little focus on innovation and internationalization and an average small size of the companies which cannot be addressed without funds and directives from the public sector. CDP can act as a development bank, activating financial instruments, such as export and credit guarantees but it's also able to develop an industrial policy to promote the growth and the consolidation of the company's capital. In 2012 the resources invested are equal to 1,5% of the Italian GDP.

This role is enhanced by the recent CDP's acquisition of the status of a National Investment Bank. The EU Regulation n. 2015/1017, which governs the European Fund for Strategic Investment (Feis), attributes this status to organizations that receive from member states the mandate to carry out development activities or promotion. Of the 34 billion Euro with that eight states made available to support the Feis, Italy contributed with 8 billion through the CDP.

Within the equity area CDP created two instruments: the Italian Investment Fund (FII) and the Italian Strategic Fund (FSI). The first is an equity fund aimed at strengthening small and medium-sized enterprises capitalization and size, in order to create "average national champions".

The second, Italian Strategic Fund (owned 90% by CDP and 10% by Fintecna, 100% CDP) was launched in 2011 with a capital of 4, 4 billion of euro and the goal to involve up to 7 ml in the Italian economy.

The Fund birth, structure and mission closely intertwine with the aforementioned French experiences and concerns about economic security. FSI was established with the objective of defending national champions from foreign takeovers. Because of the European Union limitations on the protectionist actions, these objectives are not directly mentioned and there aren't traces of them in the incorporation deed (Ninni 2013). At the same time it is clear how the structure, mission and action of the Fund faithfully follow SIF's features listed above.

FSI's looks toward medium to large firms of national interest, aiming at supporting their growth, aggregations and to strengthen their competitive position, thus generating an economic return for the public investor.

At the same time, the Fund promotes agreements and joint ventures with foreign institutional investors (Qatar Holding, Russian Direct Investment

Fund, the Kuwait Investment Authority and Korea Investment Corporation) in order to channel foreign direct investment in the Italian system. An example is the 2012 agreement signed between FSI and Qatar Holding LLC (QH). This created a joint venture called IQ Made in Italy Venture, with a total capital of 2 billion €. Its objective is to invest in Italian companies operating in sectors of Made in Italy: food, fashion, furniture and design, tourism, lifestyle and leisure, with the aim of creating a pole for luxury goods (Accetturo 2013).

Like the CDP, FSI defines itself "a medium to long term investor" and a "patient capital provider" which intervenes to overcome a number of structural limitations of Italian capitalism providing investments adequate to business plans and economic cycles.

The Fund identifies companies that are compatible with its intervention within specific criteria defined by the Ministerial Decree of Implementation (DM 08/05/2011) and its Statute.

Sectoral criterion: companies must be active in areas of "national interest" (defense, security, infrastructures, transports, communications, energy, insurances, brokerage, research and high-tech innovation, public services, tourism and hotel, agribusiness and distribution, management of cultural and artistic heritage).

Dimensional criterion: firms must generate an average annual turnover of not less than 300 million euro and employ not less than 250 units of personnel.

Systemic criterion: if the company generates a relevant industrial cluster or creates positive externalities for the Italian economy as a whole, the requirements falls to 240 million euro and 200 units.

At least one of these requirements must be satisfied in order to justify the intervention of FSI. The company must be Italian (but also companies that have subsidiaries or permanent establishments in the country may be taken into account), the revenue must not be less than 50 million Euros and the number of employees exceed 250. On the basis of 2013 data over 2,000 Italian enterprises fall within the potential target of the Fund.

Besides these requirements, additional bylaws prevent FSI to intervene in non-economically sound operations or in companies in need. The enterprises which receives the investment must be in a situation of economic balance and present prospects of profitability. The Fund financial investments are geared to an economic return on investment in line with market yields, so FSI behaves like a private investor, investing with an implicit prohibition to save firms from bankrupt.

The Fund's investments follow a series of patterns of intervention and although there are not explicit objectives, however we can clearly identify some lines of action.

1. To strengthen the industrial system: FSI acts as medium to long term investor and provides capital to companies which are leaders in their industry or have the chance to become if provided with ìroom for growth, but are unable to obtain financial resources on the private market. Once these companies have been put on a virtuous track, they may aggregate other economic realities and attract the much needed investments.
2. To consolidate the local public services sector: the objective is to aggregate the operators of a currently dispersed sector of utilities and to create "national champions" that would be able to sell their services on the international market.
3. To support the construction of infrastructures: in order to support the growth of companies operating in the sector and to construct the infrastructures themselves. This action will benefit the entire production system.

Investment modes follow three main criteria.

1. Investment is preferably in primary capital, although the acquisition of existing shares isn't excluded.
2. Minority stakes are bought in order to avoid market distortions by the public operator. The Fund may derogate from this important principle and become the majority shareholder in only two cases:
   - The acquisition of a company that operates in a sector where there is a natural monopoly.
   - In order to correct a temporary financial imbalance which could jeopardize the assessment of the value of a healthy company and cause its sale for a distorted prices.
3. The investments have value of at least 50 million euro. To reduce risks, FSI differentiates its portfolio by investing no more than 20% of its capital in each industrial sector.

The institution governance reflects the need to bring together strategic dimension and profitability of investments within an articulated structure. A Board of Directors is responsible for identifying the strategy and approve the investments. Its action is supervised by a Board of Auditors. Alongside we find the Investment Committee, which evaluates investment opportunities by issuing opinions. Finally, a Strategic Committee, made up of seven recognized experts, expresses sound opinions in the areas of intervention and general investment policies.

On 31 March 2016 the assembly of members FSI (CDP 80% and 20% BankItalia) has renamed the company from Italian Strategic Fund to CDP Equity, allowing the company to continue to manage directly and through the vehicle FSI Investments all the investments and assets that are already in the portfolio.

This name derives from the new business plan that clearly divides the portfolio of the investments into a "market area" and a "system area". Acquisitions considered "temporary", like those in which FSI behaves as a private

equity fund by entering into the company's capital to relaunch the activity and then sell its share, will be separated from those of the "system", investments in infrastructures and utilities of national priority which are thought to remain permanently in the portfolio the FSI.

Furthermore the management has now not only the explicit task of promoting the development of Italian companies of medium to large size but also to pursue the entering of new investors among the shareholders of the company, in order to lower the CDP share from the current 100% to a minority stake.

This whole operation is strongly linked to the new CDP industrial plan 2016-2020, that under the direction of Costamagna and Gallia aims at allocating 160 billion Euro in four key areas: companies, public administration, infrastructure and real estate. To these resources must be added another hundred billion fruit of possibility granted to CDP to access the resources put together by the EIB under the Juncker plan.

The reorganization of the Fund is considered instrumental in enhancing the CDP capability to boost the growth of national firms and defend strategic economic assets.

For the topics of this research, according to the Statute, nor the internal structure of the society nor the investment criteria has changed till now and there haven't been any new major investment in the last months. Considered these elements and for clarity reasons in this text we maintain the name Fondo Strategico Italiano (FSI) to define the CDP Equity, waiting for future developments of the society.

The objectives of the Fund are now extremely ambitious. Although not backed by a constant stream of financial resources like many majors SWF, it has been tasked with important missions. A brief examination of some of its investments is useful to verify if the Fund's action is adequate to its objectives of strengthening the industrial system, the local public services and the infrastructure sector.

1) Ansaldo Energia (AEN) is the main Fund's investment and the one that best illustrates its strategy to strengthen the industrial system. In 2013 FSI acquired 100% of AEN by Finmeccanica, allowing it to focus on the sectors of defense and machinery industries. In the medium term, it seeks to list the company on the stock market and to dilute the share of the Fund to a minority stake. AEN is a historic Italian company, a center of technological excellence, a strong exporter and source of a considerable industrial cluster. Today the company is a pioneer in the fields of electrical systems and gas turbines.

The Fund has inserted Shanghai Electric (SEC), which acquired a 40% ownership, in the capital. The SEC entrance is instrumental in order to carry out plans of technological development and market strategy of AEN in Asia: a series of joint ventures were promoted, Research and Development laborato-

ries in Shanghai and in Genoa were created and new investments in the Far East, for years the main market of Ansaldo, were made.

The Ansaldo operation has therefore accomplished all the FSI objectives. It strengthened and internationalized a relevant company in a strategic sector (energy), with positive effects on exports and on the Italian economic system. It injected foreign capital from institutional investors without loss of the Italian identity of the firm. It produced an economic return from the investment and reduced the share of the Fund to active minority (Cassa Depositi e Prestiti 2015).

2) Regarding the sector of local public services, Interbank Company for Innovation (SIA) represents the most significant and creative intervention of the Fund. SIA is a leading European IT services company dedicated to financial institutions, businesses and public administrations, in the areas of payments, network services and capital markets. It currently operates several relevant networks on behalf of the Bank of Italy: the National Interbank Network, the Traded Market in the Italian Stock Exchange of Government Bonds and platforms for the settlement of payments.

In 2014 the Fund acquired 49.9% of the company, aiming for a growth in size that may activate a process of concentration of the rather dispersed national sector of e-money and payments. The national security issue of ensuring the digital payments security that underlies this investment is quite evident. The other objective is to leverage the group's expertise in order to help to speed up the digitization of public administration processes, in particular payments, e-invoicing and relationships with citizens, thus containing costs and improving the PA services. A further goal is to speed up the diffusion of the use of electronic money in Italy, currently below European average, thus strengthening economy and contrasting its underground sector (Cassa Depositi e Prestiti 2015).

3) Finally, regarding the infrastructure sector, FSI has a significant investment in Metroweb Italy Spa, a group of companies active in the construction and management of optic fiber infrastructures and owner of the largest fiber network in Europe. Still today, in Italy the broadband diffusion is not even close to the objectives of the Digital Agenda. FSI's investment aims at filling this gap and it'spart of a plan to bring under state control the system of networks, after the attempted sale of Telecom to the Spanish firm Telco.

The retard in ICT development is a heavy burden for Italian firms. Not only the companies aren't yet fully covered by broadband but there is a delay in the adoption of all the related technology in particular in the management of supply chain and business activities. The recent document "Italian Strategy for Ultra-Wide Band" announced a strategic plan for the ultra-wide band aimed at achieving by 2020 the coverage of 85% of the population with at least 100 Mbps connectivity (Presidenza del Consiglio dei Ministri 2014).

The document boldly states that «The ultra-wide band will be the backbone infrastructure of the entire economic and social system», with clear reference to the cyber warfare threat to the national security.

The implementation of the plan was originally to be carried out by a synergy of Metroweb, Vodafone and Telecom, but this possibility soon disappeared, given the unavailability of Telecom, still anchored to the protection of the copper cables infrastructure, to cooperate with Metroweb. The plan had then to pass several stages of development and evaluation at EU level. An interventionist approach presented Metroweb as main actor, in competition with private operators. Instead another vision imagined a complementary relationship between public and private investors, with public invests in areas where individuals do not have sufficient backing, so that a market failure would be almost inevitable. The examination at Brussels strengthened this second approach.

These patterns have determined a division of forms of public support for geographical areas. In areas defined of high private return potential (A and B), government grants will not be possible or disbursed in limited ways. Instead in areas C private operators could intervene with a substantial public contribution (70 percent) in the capital. D areas have been identified as those in which private investment would not be available even in these conditions.

In the month of June 2016 the notice of per-qualification tenders for allocation of subsidies for the development of ultra-wide network in unprofitable areas finally came out.

Enel Group entered the broadband market through the creation of a new company Enel Open Fiber, EOF. This firm will focus on the realization of ultra-broadband connections by exploiting the already existing electrical infrastructure without going into the market retail. It will also participate in future tenders for the construction of the ultra-broadband network in areas C and D. Finally on August 2016 CDP Group communicated the integration between Metroweb and Enel Open Fiber. The latter will carry out a capital increase of 714 million euro, reserved to CDP Equity. Following the capital increase, Enel and CDP Equity will hold an equal stake in EOF. At the same time EOF will buy for 714 million euro the entire capital of Metroweb, which will be enhanced to 814 million euro.

This set of interventions seems to define a separation between the management of the main infrastructures and retail services and a public-private collaboration guided by state-owned and state-controlled firms Enel and Metroweb. It is a clear example of creative Geo-Finance intervention that will allow Italy to build up the ultra-broadband network under State guidance without breaking the EU rules on state aid.

These interventions also highlight how the nature of FSI is somehow ambiguous. Although listed as a SWF by research institutions, such as the lead-

ing SWF Institute, FSI-CDP Equity cannot be considered a "normal SWF". As its french counterpart, it manages portfolios of financial activities as an Institutional Investor and seeks long term perspective, minority shares and profitability of its investments. But contrary to major SWFs, it doesn't count on resources from commodities market or trade surpluses and its defensive action seeks to protect national firms rather than acquiring shares of companies on the international market. Nonetheless the Italian Strategic Fund, taking into account its mission and its actions, clearly emerges as an actor of industrial policy and Geo-Finance.

As already stated, this role isn't emphasized in its documents and statements. Despite the crisis and the return of public intervention, the idea of industrial policy is still opposed ideologically in Italy. At the same time concepts like Geo-Finance and Economic Intelligence are still confined in a narrow academic debate and can't find any spot on programmatic documents.

The Fund action doesn't represent a return to the old forms of State Intervention but the application of the Grey Economy model and Geo-Finance approach. It blends objectives, personnel and practices of public and private sectors while attracting and controlling at the same time international capital inflows.

Augusto Ninni highlighted the main changes compared to the twentieth-century state intervention: the investment in healthy companies only, the role of minority shareholder, the criteria of efficiency and profitability of investments, the management selected from the private sector and employed according to its rules. The Fund is able to act without undergoing many forms of pressures. Its management is reasonably free from the requests exerted by the shareholders of private companies to constantly increase stock's value. The Fund also avoids the distortion of economic rationality caused by politicians on public companies in order they serve social purposes (Ninni 2013). Furthermore Bassanini notes that the FSI interventions, market operator of the CDP Group, are not considered neither state aid nor debt, marking them a strong element of discontinuity (Bassanini, Reviglio 2015).

There are also other clear differences between CDP and IRI, the former Italian public holding of state industries, which was instrumental in the realization of the Economic Miracle of the 50's but was later labeled as inefficient and disbanded in the '90s. First, IRI was essentially a management holdings company. Instead the equity component administered by CDP Equity, compared to the total of CDP activities, it is rather less than 15%. Second, by law and by statute, CDP can only invest in companies in a position to stable financial equilibrium, with adequate opportunities for growth and profitability. The rescue of companies in crisis does not fall within the scope of the activity of CDP, reflecting precise European constraints. Third, the IRI employed

mainly public capital while CDP employs mainly private resources, from households and, to a lesser extent, by the financial markets (Bassanini 2015).

We can also add that it's now the right time for a more balanced view of the decades-long IRI experience. The recent history of IRI by Laterza, clearly highlights the institution's central economic role in the fascist and post-war era. Its six volumes have pointed out the resilience shown in the 80's and clarified how the holding disposal was to a large extent imposed by the European Commission. Despite the positive contribution to the public finances that allowed the entrance of Italy into the Euro area, this privatization wasn't completely justified by economic reasons but had instead a highly ideological background. This decision deprived the country of a central economic player and of a vital heritage of industrial and organizational culture and it wasn't followed by the rise of any private subject capable of assuming the same leadership function that IRI had played for decades (Artoni 2014)

The study of the FSI policies thus shows how the Fund has assumed a role in economic policies that was long neglected by the public actors. But is this role "strategic", as the Fund's name suggests?

The term strategic suffered in the second half of the twentieth century, a heavy "semantic overstretch", overflowing from his political and military significance to a productive, communicative, marketing extension. It became a communicative tool to signal relevance, primacy, long-term planning. Recovering the term significance in a sense broader than the traditional one but more respectful of the original meaning, strategy may be defined as «the art of success in face of conscious opposition in an environment that is conflictual, but not necessarily violent» (Bozzo 2012).

As highlighted in the first part of the article, globalized economy can be read as an Economic War or a Geo-Finance Competition, in which states (even if the game is at positive-sum and takes place in largely cooperative forms) compete and hinder each other to maximize their comparative advantage and safeguard their sovereignty through economic power. Given the primacy of international financial market, the management of capital inflows has become crucial to defend the national productive structure. The adjective "strategic" can be therefore applied in the sense of «pursuit of national interest through Geo-economic competition» (Bozzo 2012). Applying this theoretical reflection toFSI, we can affirm that the Fund fulfills a strategic function articulated in four dimensions.

1) In the first dimension/sense, it can be said that the Fund is strategic because it's concerned about the success of companies operating in sectors that the Italian Government has decided to be "strategic". According to ministerial decree (DM 08/05/2011), the «companies of relevant national interest» are strategic companies that play key role in the national economy for their sector

or size (Cassa Pepositi e Prestiti 2013). The sectors are: defense, security, infrastructures, transports, communications, energy, insurance and financial inter mediation, research and high-tech innovation, public services. With the decree of 2 July 2014 which replaced the one of 2011, the scope of the Fund intervention has expanded to tourism and hotel sectors, agribusiness and distribution and management of cultural and artistic assets.

The choice of sectors clearly resumes the indications of Law No. 474/1994 (art. 2) to protect the Golden Share, «companies directly or indirectly controlled by the state operating in the defense, transport, telecommunications, energy sources, and other public services» and Law No. 56/2012, which creates the Golden Powers regime. The State action can be extended to all companies deemed strategic, operating in the sectors of defense and national security (art. 1, Law 56/12) and in the energy, transport and communications (art. 2, L. 56/12).In each case, the FSI's intervention seeks a different strategic objective.

- Companies in the defense and security area fall into a classic sense of strategy linked to the threat of military aggression. These companies, that still generate significant economic and technological return, must be defended in any case from the competition and from foreign takeovers.
- The areas of infrastructure, transport, communications and energy, the complex of networks, have an important role in the National Security Strategy (recently increased because of the risks linked to cyber warfare) but can also be considered the back-bone of the productive system.
- The areas of insurance, financial brokerage, research and innovation and public services are in general basic services for the economic activity as a whole. Insurance and finance sectors were in the past under strict state control. Scientific research, especially basic research, is highly dependent on public funds.
- Finally, public services are mostly provided by companies owned by local authorities. Investments in these are a relevant for Geo-Finance competition.
- Tourism and hotel sectors, agribusiness and distribution, management of cultural and artistic assets, are instead more specific sectors of the economy, with less systemic importance for the overall production. However, they have importance for the Italian economy.

2) The second strategic dimension is made up by the action of the Fund aimed at overcoming the structural elements of weakness of the Italian productive system. The greatest strength of the Italian production system is its indisputable reserve of entrepreneurship: «Italy has an extraordinary, and in some ways unique, entrepreneurial culture. [-] It is the country in Europe with the highest number of firms in absolute terms» (Coniglio 2007).

The role of export oriented industrial enterprises is crucial: «In 2012 the Italian industry produced 257 billion euro of added value, with an occupancy

of 4, 7 million people. Today it accounts for less than 20 per cent of added value and total employment, but it is a key source of innovation and competitiveness (realizing more than 70 percent of spending on research and development of the private sector) and has a decisive role in keeping poised the balance of payments (accounting for almost 80 percent of exports). Using more and more services, it also acts as a driving force for the service sector: industrial exports incorporate added value produced by the service sector for 40 per cent of its total value (OECD / WTO, 2013)» (Accetturo 2013).

However, various factors play against the national economic system: small size of the companies, reliance on bank system, low technological innovation and poor internationalization. The Italian "dwarfism", with an absolute predominance of micro-enterprises, even if it contributes to entrepreneurship and employment, damages the economy in terms of efficiency and technological development. Both the productivity gap of Italian companies and their dependence from a bank-centered financial system are real problem. and The 2008 crisis and the following credit crunch have carried out a merciless selection of firms.

Technological development is the basis of the economic position of the States. The low technological level of Italian productions, despite the excellences, is undoubtedly linked to the structural problem of the small size of the company but even more to the lack of an Innovator State, as Mazzucato suggested.

In *The Entrepreneurial State* she shows that, contrary to popular perception, the greatest technological innovations of XX century were a result of researches stimulated or directly carried out by public bodies. Mazzucato suggests that any State should configure as Entrepreneurial State: a public actor aware of his economic mission that explores the "risk landscape" by stimulating research and creating new markets. This action is crucial where large capital investment are required in uncertain situations. The role of private sector is certainly not excluded, but the author emphasizes its short-term horizon and its tendency to depend for the costly and uncertain business of basic research on bodies that are largely dependent on public financing (Mazzucato 2014).

The absence of an Entrepreneurial State in Italy has unfortunately deep historical and cultural roots. Since the Economic Boom the country continued to base its growth on a «model of development without research». Some explanations for this sort sighted policy may be the poor penetration of the secular, reformist and positivist values of science in the society, the political instability that inhibited long-term projects and favored a party-division of resources and the institutional weakness that did not allow the rise of civil servants figures able to connect public bureaucracy, research and companies without favoring private interests (Pivato 2011).

The internationalization limits are perhaps the most serious deficiency, closely linked to the other problems mentioned. «Between 1990 and 2010 the world stock of FDI has increased tenfold, a much more rapid progress than GDP and international trade». Empirical evidence clearly indicates that companies that invest abroad tend to benefit from internationalization, in terms of access to markets and efficiency gains in the use of resources. Italy finds difficult to operate in this context both as an investor and as a receptor of investments. «Italy accounts for a market share of just over 5% (FDI), less than half of its value for the EU's GDP (12%). The distance between Italy and other major European economies is confirmed even if measured by the amounts of investment received from abroad: less than 5% of the investments in the EU are directed in Italy» (Cristadoro, Federico 2015).

There is also an institutional problem: the public support system for internationalization works via different entities and Ministries but acts without coordination and frequent overlaps. «Italy devotes considerable human and financial resources to the promotion, especially when compared with how much other major European partners invest. This is not reflected in the settlement capacity and expansion in foreign markets, or in the degree of production internationalization of enterprises» (Vergara Caffarelli, Veronese 2013). A more coordinated system to support diplomatic/trade policy and greater transparency in the use of public funds would be much needed improvements.

The assistance from the Fund can be effective in overcoming each of these limits, as reflected by its policies and the cases previously analyzed. The financial problem is dealt with the acquisition of shares and the entry of foreign partners in the company's capital. Companies are pushed into enlargement policies to overcome the status of SMEs. Technology receives special attention as investments in high-tech companies which promotes the expansion of R&D are favored. The internationalization support to companies (exports, foreign investments and partnerships with institutional investors) is addressed in order to supply a real public good. These operations are more coordinated than the average ones of the public sector, thus making the weight of the state support in trade policy really making the difference.

3) The third strategic dimension is a specific feature of the FSI that we will call "screen function." In Europe the capitals of SWFs constitute indispensable resources for national economies but the risk of losing control of strategic assets worries politicians and opinion makers. As in few other fields it's clear the dilemma between economic openness and sovereignty.

Following the French experience, the Fund intervenes by opening to foreign funds its areas of expertise while ensuring both remuneration for the investor and national control. «It is thus outlined in fact a further mission to CDP (in the form of FSI), to help attract foreign investment in Italy [-] with-

out necessarily giving in to foreign investors the controlled interests, indeed usually helping to maintain control in Italian hands [-]. To 3 billion euro acquired in two years by FSI, in fact you can add the 2,1 billion paid by State Grid of China for the acquisition of 35% of Networks (the company that owns the control of Terna and Snam) and 500 million granted by KfW for financing infrastructure projects or Italian SMEs; as well as co-financing agreements (for a total of 4 billion) subject of two Memorandum of Understanding signed between CDP and the China Development Bank and between CDP and the Brazilian BND» (Bassanini 2015).

The idea underlying this policy is that it is possible to intertwine foreign investors in a network of economic and political relations, making them co-interested in the vitality of Italian companies and national economy itself. The Ansaldo case is the clearest example of the validity of this strategy. The main obstacle to this policy is the size of Foreign Institutional Investors, representing the growing importance of non-Western countries, compared to the resources of the Strategic Fund. Italy risks to quickly become a minority partner in these kind of openings and to be forced to accept unfavorable agreements that would reproduce the risks of predatory acquisitions that FSI was created to avoid.

In the long term the operation could work only under the condition of an overall Italian economic recovery, an increase in the resources of the Fund and a careful institutional scrutiny.

4) The fourth dimension summarizes the other three and is linked to the inner nature of Geo-Finance operations. The action of the Fund seeks to protect National Interest: to guarantee sovereignty, to maintain an open, competitive and vital national economy, to defend it from hostile takeovers by international finance, to avoid the loss of productivity and technology. These objectives are fulfilled through a Geo-Finance action aimed at collecting and controlling national and international mobile capitals, putting them at service of the country system, thus avoiding exploitation of the country resources by international finance.

FSI defends and tries to expand a number of companies whose vitality is crucial for the Geo-Finance competition. Benefiting the national economy as a whole, it tries to overcome the structural limits of the system and to reap the benefits of competition and foreign investment, limiting the disadvantages. In an international system in which all the main actors behaves drawing inspiration from Geo-Finance approach and Economic Intelligence logic, the competitive action of FSI assumes its real strategic significance.

3. Conclusions

In conclusion, we can say that the world of Sovereign Wealth Funds offers broad margins of development. This means that the spaces of future manoeuvres are also broad on the part of nations in a geo-political sense. SWFs today clearly represent an instrument of that which Carlo Pelanda, in his book, *The Gand Alliance* (2007), defines as a new bipolar clash between democratic capitalisms and autocratic capitalisms in which the great western economies have the task of knowing how to manage such a situation and to respond in such a way that the game is rebalanced and that the international economy leaves reinforced. The financial vehicles examined in this paragraph hide within themselves the seed of capitalism and a national activity that goes beyond of the normal patterns of macroeconomic analysis and the theory of exchanges. The means of response of economic intelligence of the states that are most interested will also be fundamental to understanding in which direction the reforms of the institutions of Bretton Woods can go. The restructuring of the economy and of world finance is a necessity and to do this, it is necessary that the big powers reduce their own symmetrical imbalances.

The analysis of the Italian case shows how, reacting to these changes, the nature of state intervention is increasingly characterized as a middle ground between direct public intervention and private regulatory action.

World economy is evolving into "grey economy" where government agencies are managed with private sector criteria while the State or other public bodies hold minority shares of firms equipped with special powers (Bortolotti 2008). Direct control is replaced by influence, guaranteed by the Statutes and privileged relations of the companies with the government. It is so configured a new variety of state capitalism, characterized by higher efficiency and lower social charges. It is therefore completed the path from the Producer State, sole owner of a vast industrial apparatus, to the Controller State, which prompted liberalization and competition, to the Investor State, that integrates features of the private and the public sectors.

In this context, the action of FSI has already achieved concrete results, with positive repercussions for the Italian economy and sovereignty but many doubts remain on the Fund's action.

In favor of the overall validity of the project we can affirm that:

- The structure and action of the Fund are consistent with its mission and the Italian and international economy, creatively overcoming the old models of state intervention.
- There are significant opportunities to expand the Fund operations, especially if CDP will assume a leading role in the management of networks.

- The long-term vision makes FSI it independent from political pressures and short sighted interests.
  But several critical areas remain:
- Time delay: as for other European countries, an Italian response to institutional investors different from unconditional opening or protectionism came only after the 2008 economic crisis.
- Size: The capital of the Fund is still tiny for the Italian economic needs, in comparison to the French experience and confronting the resources of major Sovereign Funds.
- Dubious Screen Function: the Fund protects strategic companies from foreign direct institutional pressures but links them to dynamic economies and to non-democratic decision-making centers. So it is hard to believe that these countries won't try to exert indirect influence on their investments.

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Largo Gemelli 1, 20123 Milano - tel. 02.72342235 - fax 02.80.53.215
e-mail: editoriale.dsu@educatt.it (produzione) - librario.dsu@educatt.it (distribuzione)
redazione: redazione@itstime.it
web: www.sicurezzaterrorismosocieta.it
ISBN: 978-88-9335-108-9

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Euro 20,00