

Reference ID **Created** **Released** **Classification** **Origin**
10ROME87 2010-01-22 15:03 2010-11-28 18:06 CONFIDENTIAL Embassy Rome

VZCZCXRO5383
OO RUEHAG RUEHROV RUEHSL RUEHSR
DE RUEHRO #0087/01 0221531
ZNY CCCCC ZZH
O 221531Z JAN 10
FM AMEMBASSY ROME
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3170
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHBUL/AMEMBASSY KABUL PRIORITY 0574
RUEHFL/AMCONSUL FLORENCE PRIORITY 3989
RUEHMIL/AMCONSUL MILAN PRIORITY 0433
RUEHNP/AMCONSUL NAPLES PRIORITY 4216
RUEHUNV/USMISSION UNVIE VIENNA PRIORITY 0176
C O N F I D E N T I A L SECTION 01 OF 03 ROME 000087

SIPDIS

E.O. 12958: DECL: 01/12/2020
TAGS: [PREL](#) [ENRG](#) [KNNP](#) [PARM](#) [IR](#) [PGOV](#)
SUBJECT: STAFFDEL KESSLER DISCUSSES IRAN WITH MFA, ENI, PD

REF: ROME 00035

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Classified By: DCM Elizabeth Dibble for reasons 1.4 (b) and (d)

SUMMARY

[¶1.](#) (C) Staff Director of the House Foreign Affairs Committee (HCFA) Dr. Richard Kessler and HCFA staff members probed senior MFA and energy and gas parastatal Eni officials on Italy's intentions concerning Iran sanctions and prospects for effective multilateral action to curb Iran's nuclear program. Opposition Democratic Party (PD) officials discussed Iran, Italy's role in Afghanistan, the MEPP, Iraq, and nonproliferation with the Staffdel. End Summary.

IRAN DOMINATES MFA TALKS

[¶2.](#) (C) A January 8 roundtable discussion with Dr. Kessler and three HCFA staff members at the Ministry of Foreign Affairs (MFA) included MFA Director General for Multilateral Political Cooperation Stefano Ronca, Ronca's Deputy Filippo Formica, and Deputy DG for Economic Cooperation Claudio Spinedi. Office Directors Massimo Marotti (Political-Military Security and NATO Affairs); Diego Brasioli (G8 Issues and Global Challenges); and Giovanni Pugliese (Arms Control and Nonproliferation) also participated. After the roundtable the Staffdel had a meeting with MFA Deputy SecGen and Political Director Sandro De Bernardin. Post was represented by the Charge, Pol-Mil Counselor and Poloff (notetaker).

¶3. (C) Ronca believes the deteriorating situation in Iran will soon come to a head and that the UNSC should convey to Iran that delay tactics will not work and support this position by readiness to adopt further pressure. Ronca and Spinedi told the Staffdel Italy is ready to explore, with its EU colleagues, the possibility of further sanctions, which, however, must conform to EU regulations, and not affect the legal rights of European companies. Ronca suggested that the Iranian financial, oil and gas, and insurance sectors (but not the Central Bank) could be targeted and that the list sensitive products on the export ban list could be expanded.

¶4. (C) Spinedi, who (with Formica) attended the October 7 Washington meeting of "Likeminded States on Iran," started by briefly alluding to Italy's longstanding complaint of exclusion from P5 1. Spinedi pointed out we needed to determine what kind of sanctions would be acceptable to China and Russia, adding that even at the beginning of January, China's UN ambassador said that China "needed more time," which, Spinedi noted, was not a total rejection of tougher sanctions. Spinedi advocated strengthening what already exists and deciding where we are willing to exert additional pressure (especially in the oil and gas sector). It would be important to determine which technologies others (e.g., China and India) are willing to provide and embargo those which they cannot. Spinedi acknowledged that Italy had not yet imposed legally binding sanctions, but that the GOI had successfully used "moral suasion."

¶5. (C) Spinedi noted that sanctions proposed by the U.S. at the October 7 Likeminded meeting included targeting the Iranian Revolutionary Guard Command (IRGC), but did not include an embargo of refined oil and gas products. Spinedi echoed Ronca in saying that in the coming months Italy will need to see how the rest of the Europe will approach new sanctions.

¶6. (C) MFA Deputy SecGen Sandro De Bernardin told the Staffdel that Italy was well aware of the danger posed by Iran and supported a "firm line." De Bernardin noted Eni's considerable investments in Iran and characterized Italy's "moral suasion" efforts to wean Iran away from its nuclear ambitions as a "significant success." On sanctions, De Bernardin stated that Italy was prepared to assume its "share of responsibility," but that sanctions are a means of pressure, not a goal; effective ones must be found. In De Bernardin's view, U.S. domestic legislation should not negatively affect other countries and the presidential waiver has been useful in the past; he hoped it will still figure in the future.

¶7. (C) Kessler encouraged Italy to continue and reinforce

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their past efforts. De Bernardin agreed that if Iran gets the bomb, then others will seek to acquire nuclear weapons too and that the Iranian regime must realize there is a heavy price to be paid for persisting in non-compliance. " De Bernardin reiterated Italy's support for openness to dialogue in addition to pressure, or the dual-track approach, and that "putting Iran in a corner" is not the same as "cutting it

off" and characterized Italy as a "crucial player," essential to catalyzing consensus in Europe. He added that, given Iran's critical domestic situation, the regime was not in a position to decide anything.

KEY TO SUCCESS IN AFGHANISTAN

¶8. (C) With regard to the critical situation in Afghanistan, Ronca acknowledged that we must strengthen the military aspect of the campaign, but that institution building and engaging President Karzai on fighting corruption must not be neglected. On the security side, Ronca said that Italy will increase its force by 1000 men during the first half of 2010 and that its Afghan National Police (ANP) training program is a first priority. As for civilian engagement, Italy has committed 465 million euros in various civilian sectors, including health, education, and justice. Ronca and Marotti stressed the need for better coordination of civilian and military activities as an issue that should be on the agenda of the January 28 London NATO conference. Ronca noted that reaching out to insurgents was a task that should also be pursued. The Italians stressed the need for a long-term development strategy based on Afghan priorities, but which would also include private sector involvement and the development of good governance.

CENTER LEFT PD AIRS FOREIGN POLICY POSITIONS

¶9. (C) Head of the opposition Partito Democratico's (PD) Foreign Policy Department Piero Fassino told the Staffdel the PD supports President Obama's initiative to dialogue and build bridges with the Islamic world, but is very concerned about the blocked MEPP and the "new wave of terror" in Afghanistan. As for Iran, the PD supports pursuing a negotiated solution, but Fassino questioned whether the current leadership is in a position to negotiate credibly. He suggested it could be useful to change the order of priorities in Iran; that is, be more flexible on the nuclear issue, but harder on human rights. According to Fassino, the greatest risk with nuclear proliferation is that irresponsible governments like the one in Iran could gain access to nuclear arms, adding that the PD assessed that there was little to fear with nations such as India, Britain, and France having nuclear weapons. He asked whether a democratic government in Iran might not have a different position on the nuclear program.

¶10. (C) Fassino said the PD supports the GOI's increased (military) support for Afghanistan, but stressed that strengthening civil and governmental institutions and economic development are equally important. On the MEPP, Fassino characterized Netanyahu's proposed 10-month settlement freeze "a little window of opportunity," but questioned whether it was enough, given the Israelis' refusal to discuss (the status of) Jerusalem. As for Iraq, Fassino said the stabilization process must be supported; there was no alternative.

ENI JUSTIFIES IRAN ACTIVITIES

¶11. (C) Energy and gas parastatal Eni (Ente Nazionale Idrocarburi) officials told the Congressional delegation that it is cooperating to address USG concerns over the company's Iran activities, but insisted that it will continue to fulfill its contractual obligations there. The company officials said that Eni has understood the USG message to reduce its presence in Iran, and as a result it has already decreased its Iran activities to a minimum level. The Eni officials provided the Staffdel with a copy of the November 16, 2009 CEO Scaroni letter to Ambassador Thorne that states the company's position (A copy of Eni's letter was provided to EEB in November). Referencing this letter, the officials pointed out that Eni will not undertake new activities in Iran, including no new activities by its subsidiaries, Saipem

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and Polimeri Europa. They added that following Scaroni's September 16 meetings in Washington the company also gave up plans for an MOU with Iran for development of the phase III of the Darquain oil field. The officials stated that while EU law prevents the Eni from responding to official requests for information on its Iran operations, it has been transparent in informing the USG on a voluntary basis.

¶12. (C) The Eni officials stated, however, that Eni intends to carry out exploration and development activities in Iran that fall under its contractual obligations there. The officials acknowledged that this is a gray area due to the differences of opinion between the company and the USG over what is new activity and what is old. The company officials said that they hope to clarify this issue with Washington during separate meetings in January with senior officials from the State Department and Department of Treasury. Pressed for details over the company's existing obligations, the officials said that it is under contract to meet certain targets of (oil) production in order to guarantee defined levels of production within a given time frame. They added that Eni must keep a certain threshold of production in order to recover its investments in Iran. They also explained that Eni receives periodic (possibly scheduled) payments by Iran in oil equivalent amounts that correspond to the attained target levels of production.

¶13. (C) The Eni officials admitted the frustrating difficulties of operating in Iran, but stated that Eni's priority is to recover its investments there while meeting EU laws. The officials estimated Eni's total Iran investments at around \$3 billion dollars, of which they said Eni has already recovered already about 60 percent (or about \$1.7 billion according to one Eni representative). The company officials said Eni still needs to recover about \$1.4 billion from its Iran operations. They added that if all goes as planned Eni will recover this remainder of its investments by the end of 2013 or early in 2014. They further explained that Eni's Iran contracts provide the possibility of extensions if the company is not able to recover its investments within the stipulated time frame. The Eni officials cautioned that the company may face EU sanctions if it withdraws from Iran due

to pressure from USG unilateral sanctions.

[§14](#). (U) Staffdel Kessler has not cleared this cable.
THORNE