

Rouhani in Rome: A Backgrounder

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On 25 January 2016, Iranian President Hassan Rouhani left Tehran on a very significant trip for his country. It was his first West-bound trip after Implementation Day signalled the effective beginning of the lifting of sanctions against Iran. Rouhani's first stop-over was to Rome, where the Iranian President, accompanied by six Ministers and 120 businessmen, spent two days in meetings with the aim of strengthening existing socio-cultural, political and economic links between the two countries.

During this trip President Rouhani has met with the highest political officials, including Italian President Sergio Mattarella and Prime Minister Matteo Renzi, he has inaugurated a huge business forum where the 120-large Iranian delegation met with more than 500 Italian companies, and had talks with Pope Francis in the Vatican—a highly symbolic moment of public diplomacy for Iran. Meanwhile, his Ministers engaged in bilateral meetings with their counterparts. As a result, the two parties signed 13 Framework Agreements, including in the fields of transportation, railways, education, security, port cooperation and agriculture.

The aim was to provide a legal and policy framework to the strengthening of existing economic ties that placed Italy, before sanctions, as the first Iranian partner in Europe. Strained by the stagnation that followed the 2008 European financial and economic crisis, unable to recover also due to a very weak level of domestic consumption, Italian firms have high hopes to internationalise. Many companies are eager to capitalise on the lifting of sanctions as to gain a share in the project of modernising the country.

Italy's economic relations with Iran have traditionally been centred on the petrochemical sector and related services, and the heavy industry at large, including steel, mining, and machinery. Major Italian firms in these sectors have had a long-standing presence in Iran. These include: Alitalia, for the logistics sector; Danieli, a major global player for plant making in the steel industry (which, last week signed, deals worth \$6 million); multinational corporations specialised in engineering and construction for oil & gas projects such as Snamprogetti and Tecnimont spa—which is allegedly involved since March 2015 in preliminary talks regarding auxiliary infrastructures for the petrochemical complex in Asaluyeh, southern Iran. New opportunities are also opening up for ENI, Italy's energy major, that has had a historical presence in the country, as it gave a key contribution to the development of its major oil fields. Other promising sectors include transportations and infrastructures development. Finally countless small and medium sized-enterprises are examining ways of tapping into the Iranian market, in particular as a market for the export of "Made in Italy" products of the most diverse categories: from the usual textile and fashion, to luxury goods, technology, and food.

However, the links between the two countries go beyond the economic sphere. The relationship dates back to the 1950s and has remained steady up until the 1979 Islamic Revolution, which brought a sizeable population of Iranian exiles to Italy and has been instrumental to the persistence of the bilateral relations. In 1999, when (former) President Mohammad Khatami visited Rome, Italy was the first country to receive the visit of an Iranian leader after the Revolution. After the turbulence produced by Mahmoud Ahmadinejad conservative Presidency, the atmosphere improved with Hassan Rouhani's election in 2013. The (then) Minister for Foreign Affairs Emma Bonino was the first European head of diplomacy to visit the country to congratulate Rouhani and already at that time the Italian diplomacy was pushing to include Iran at the negotiating table on Syria during the Geneva II talks. Another point of convergence are the common concerns for the stabilisation of Afghanistan where the Italian military and political contingent is – by Italian standards – very large. Rouhani has also been very supportive of giving a rotating UN Security Council seat to Italy which is one of the Renzi government's prime foreign policy objectives.

But, at the same time, Tehran's gamble with Hezbollah in Lebanon, where Italy leads the UNIFIL mission, have strained bilateral relations over the years. The Lebanon factor feeds into an intangible halo of uncertainty that represents an obstacle to transform the convergence of interests into a real partnership. Other sensitive issues are represented by Italy's connections with Israel, its growing ties to the Gulf Arab countries and the importance of human rights issues situated at the heart of Italy's public opinion.

In the longer term, and beyond economic interests, Italy will likely align itself with a Europe-wide position: unless Iran shows a certain amount of goodwill to be a constructive player in its region, prospects may be fragile. While economic relations will likely develop in beneficial ways, political engagement will remain under scrutiny—at least for the time being.