

Japan and Iran: an evaluation of relationship-building in the context of energy security supply

Japan's dealings with Iran have been those of a close and long-term relationship. Relations with Iran date back to 1953 when the first direct oil deal with the government of Iran, through Idemitsu Kosan Co. Ltd, was agreed upon. Additional significant oil experiences in Iran have taken place since 1968, when the Japanese government dispatched a Mitsui Company mission to investigate the feasibility of joint petro-chemical production in Iran, which led to the establishment of the Iran-Japan Petrochemical Company (IJPC) in 1973. Despite the fact that the IJPC joint venture terminated prematurely and under bad terms, this did not affect Japan's overall energy cooperation with Iran.

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LIKEWISE, NEGATIVE FACTORS impacting Iran's energy capabilities and oil transactions during the 1980s and the 1990s, such as the Iran-Iraq war (1980-88) and the US imposition of economic sanctions, did not cause a rupture in Japan-Iran diplomatic and energy relations. Instead, Japan and Iran have succeeded in maintaining close energy relations under the so-called 'Critical Dialogue' relationship. In February 2004, Indonesia Petroleum, Ltd. (Inpex), a Japanese upstream company, with the government of Japan as its largest shareholder, and the National Iranian Oil Co. (NIOC) on behalf of the government of Iran, entered into a new phase of energy cooperation by signing a deal to jointly develop the southern part of the Azadegan oil field. Relations, however, have begun to deteriorate since the promising Azadegan oil agreement (projected to yield 260,000 barrels of crude oil per day by 2013) came to an end in September 2006. The disruption of the Azadegan oil deal illustrates the external sources of anxiety and pressures the Iran-Japan relationship has had to contend with since the oil deal was made.

This essay sheds light on how Japan-Iran relations developed between the late 1970s and the early 2000s, as a result of economical, political and strategic factors. The analysis of the Japan-Iran relations in the course of different periods of time and constant changing circumstances reveals a multifaceted relationship characterized by unilateral Iranian dependency on Japan, despite Japan's huge energy dictated imports. Nevertheless, the uniqueness of Japan's relations with Iran lies in the fact that despite its improved leverage vis-à-vis Iran, its sense of vulnerability to a large extent has had an impact on its attitude and policies towards Iran. This has caused Japan to sustain relations with Iran, even though it has put at risk some of the most important interests with its foremost ally, the US.

Japan defines its relationship with Iran as 'interdependent'. Hence, it is essential to define interdependence. One view of interdependence stresses the cost and benefits that would be lost if a relationship were disrupted. Interdependence should be understood as mutual vulnerability.¹ This is not to say that the interdependent relation pattern of Japan and Iran is symmetrical or static, but the disruption of relations has always been perceived to be a high disadvantage and a loss.

Relationship-building: phase analysis (1979-2010)

'Phase analysis' was used to examine the countries' relations and their interdependency patterns. We determined three phases of the relation-development: Phase One (1979-1989), Phase Two (1990-2000), and Phase Three (2001-09). The use of this method of analysis has two main purposes: (1) to evaluate

Above: Distant Oil Refinery, Iran. Photo reproduced courtesy Creative Commons/Flickr.

The new sanctions illustrate Japan's acceptance of the US view, which accuses Iran for illicit development of nuclear weapons, even though IAEA has not endorsed this view.

the countries' relationship-building nature, and (2) to analyze the circumstances under which the interdependency pattern may erode. The implications for Japan's future energy security supply are assessed in this regard.

Despite the differences found between Phase One and Phase Two, they depict a common picture: Iran's dependence on Japan seems to be greater than Japan's dependence on Iran, both in economic and political terms. However, Japan has perceived itself as much more vulnerable vis-à-vis Iran in terms of potential disruption of relations. Phase Three, by contrast, revealed Japan's growing energy vulnerability due to several severe energy setbacks faced since the early 2000s. Nevertheless, a more confident Japanese political position in relation to Iran has been detected.

The evaluation of the Japan-Iran relations throughout the prism of the Phase Analysis has revealed different trends of continuity and change over the years. A major trend of continuity relates to the Iranian dependence on Japan. In accordance to the specific circumstances over time, the dependency varied but still remained significant over the years. For instance, during the 1980s, Japan's importance to Iran was mainly founded on relative narrow economic terms. Japan became a provider of wealth in terms of oil purchasing during the 'Arab Oil Shock'. In the 1990s, however, Iran's dependence on Japan expanded. Japan became not only a significant political bridge to the international arena in times of isolation, but also provided capital in terms of overseas development assistance, in addition to oil purchases – particularly important for a country immersed in economic difficulties.

Nevertheless, we can see that despite Japan's leverage on Iran, the former's sense of vulnerability, consequent to its almost total dependency on imported energy sources and its subordinate relations with the US, caused it to maintain relations with Iran in accordance to the so called 'Critical Dialogue' policy. However, the nature of the relations began to gradually change in the early 2000s. The Azadegan oil agreement rupture of 2006 exemplifies one of the mentioned changes in the relations. Though the rupture was the initiative of the government of Iran, it resulted from Inpex's continuous delay in the development of the field.

Assertive policy

At present, and probably for the first time ever in the two countries' relationship, the government of Japan and the various upstream and downstream company policies vis-à-vis Iran can be portrayed as self-confident and assertive.

In previous years, when Japan was asked either by the US or by some of the European countries to impose sanctions or decline relations with Iran, the different Japanese governments usually refused the demands, until the moment they felt that the 'critical dialogue' was leading to either the isolation of Japan in the international arena, or to a serious potential risk to its interests vis-à-vis the US (exemplified by Japan's response to the 1979 and 1995 sanctions).

By contrast, since 2005, the various Japanese governments have shown no hesitation to back UN and US sanctions against Iran. Japan has voted in favour of all UNSC sanctions against Iran for noncompliance with IAEA regulations. Moreover, in 2007, Japan took additional penal measures against Iran, including the freeze of assets belonging to several Iranian citizens and institutions considered to have some link to the country's nuclear program. On 3 September 2010, after the US, the EU, Canada, and Australia, Japan also imposed new sanctions on Iran. Unilateral sanctions beyond the UN framework that include a ban on transactions with several Iranian banks, sanctions against investment in energy and freezing the assets of 88 institutions and 24 individuals suspected of being linked to Iran's nuclear program development, including the Islamic Revolutionary Guard and Islamic Republic of Iran Shipping Lines. The new sanctions illustrate Japan's acceptance of the US view, which accuses Iran for illicit development of nuclear weapons, even though IAEA has not endorsed this view.

We conclude therefore that Japan's assertive policy has led to the observed decreasing share of Iranian oil imports to the country. Amid the development of political circumstances, Japanese downstream and upstream companies are not willing to risk their security of energy supply. The fact that energy demand in Japan is not expected to increase dramatically in the coming future, due to an aging population and changing patterns of industrial production, has led Japan to introduce changes into its energy supply security strategy. This has resulted in a large impact on Japan's relations towards 'traditional' oil-producing countries, such as Iran.

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Notes

1 J. Kroll. 1993. "The Complexity of Interdependence," *International Studies Quarterly*, 37:3, pp.321-47.