

Japan's Iran Dilemma and Oil

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By Kamiguri Takashi and Abe Hideaki

[We present three articles on Iran in the crosshairs, examining the conflict over Iran in light of moves by the US, UN, Japan, EU and Israel. The central issue concerns the US effort to bring Iran before the UN Security Council for its refusal to terminate the development of its civilian nuclear power program. It is a course that many see as the essential step toward US-directed regime change.

In the first (<http://www.japanfocus.org/products/details/1696>) article, Mindy Kotler, Director of Asia Policy Point, examines critically Japan's reluctance to join the US-led bandwagon on Iran, highlighting the failure to criticize the Iranian president's statements on Israel and the holocaust, and noting Japan's heavy dependence on Iranian oil. She also hints at another potent factor: like Iran, Japan is actively pursuing the development of nuclear power for civilian uses. Unlike Iran, however, Japan's effort is advancing with US and EU tacit support. Japan did in fact vote with the US to bring Iran before the UN Security Council, as well as privately pressing Iran to halt its nuclear development program. Kotler notes important Japanese interests in Iranian oil. But she attributes Japan's reluctance to play a forward role in condemning Iran to a failure of its diplomacy. Where some see Japan's diplomatic failure to center on its Prime Minister's provocative visits to Yasukuni Shrine and other acts antagonizing its neighbors, Kotler believes that a more forward role on

such issues as Iran are the prerequisites if Japan's is to succeed in its quest for a permanent Security Council seat. In declining to discuss the legitimacy of Iran's claims to develop civilian nuclear power, the article implicitly reiterates the US position on the issues.

The second (<http://www.japanfocus.org/products/details/2110>) article, an interview with Abbas Edalat, Professor of Mathematics, Kings College, UK, locates the US-Iranian conflict in the perspective of the conflict since the 1979 Iranian revolution and US designs to remake the Middle East map from the Iraq-Iran War to the present Iraq War. It makes a vigorous case for Iran's right to develop civilian nuclear power as a signatory to the Non Proliferation Treaty, and for that nation's right to survival. Edalat sharply criticizes US policy and warns of the dangers of the road to war being mapped out by leaders in the Pentagon and Israel. Indeed, it is Israel, even more than Washington, that has since 9/11 beaten the drums for war in Iran. Edalat argues, possibly optimistically, that strong opposition to the US position by Russia and China will make it difficult for the US to secure a Security Council sanction of Iran.

The third article, from the Asahi Shimbun, sets Japan's oil dependence on Iran, and particularly the decision about whether to proceed with its investment in the Azadegan oil fields, against the US-led pressures to bring Iran before the Security Council. Japan Focus]

Iran's publicly stated intention to advance its

nuclear technology threatens a key element of Japan's energy strategy--development of the Azadegan oil field.

Defying international opposition, Iran announced on Jan. 10 that it had resumed uranium enrichment operations.

If Tehran does not alter its position, Japan could lose its rights to the field.

As the international community leans toward Tehran sanctions, a senior official of the Ministry of Economy, Trade and Industry explains Japan's dilemma.

"We want to develop the field at any cost," the official said. "But opposing nuclear weapons proliferation is the national policy of Japan as the world's only country to suffer atomic bombings.

"It's impossible for Azadegan alone to escape any impact (from the nuclear issue and possible sanctions)."

Chief Cabinet Secretary Shinzo Abe said Jan. 13 that Japan supports a call to send the issue to the U.N. Security Council.

While joining the United States and Europe in calling on Iran to drop its nuclear program, resource-poor Japan cannot afford to lose the development rights.

With estimated reserves of 26 billion barrels, the Azadegan field is one of the largest in the Middle East.

Japan's Inpex Corp., in which the government has a 36-percent stake, won 75 percent of development rights in February 2004.

It was a much-needed enhancement of Japan's energy security after Arabian Oil Co., a Japanese company, lost its rights to Saudi Arabia's Khafji field in 2000.

When in full operation, Azadegan is expected to produce 260,000 barrels a day, boosting Japan's imports of self-developed oil by 60 percent.

In fiscal 2004, Japan imported 4.17 million barrels of oil a day, of which only 450,000 barrels came from fields of its own development.

Iran's nuclear move came just as Inpex is preparing to begin full-scale development this spring after land mines from the Iran-Iraq war are removed.

Inpex is also negotiating with France's Total SA on handing over part of its development rights to reduce risk, industry sources said.

Its integration with Teikoku Oil Co. scheduled in April is intended to tap Teikoku's technical expertise to develop Azadegan, the sources said.

But those efforts could be nullified by Iran's nuclear ambitions.

"The impact is extremely grave," said Toshihiro Nikai, minister of economy, trade and industry. "We will decide how to act in consultation with other countries."

Some officials of his ministry, however, are set to go ahead with the Azadegan project.

Even if the Iranian issue is sent to the U.N. Security Council, it would not lead to a ban on Azadegan development or on imports of Iranian oil, the officials say.

The officials are concerned with China's aggressive push to strengthen ties with Iran. It recently won rights to the Yadavaran oil field in the country.

"Even if Japan gives up Azadegan, China will move in, resulting in no damage whatsoever to

Iran," said a senior ministry official. "We should separate the nuclear issue from oil development."

Pessimism is growing, however, in the oil industry.

"The United States and Europe take the Iranian move seriously," an industry source said. "As it stands, it will be difficult to start drilling."

The government is stepping up its diplomatic efforts to persuade Iran to drop the nuclear program.

Foreign Minister Taro Aso phoned his Iranian counterpart, Manouchehr Mottaki, on Jan. 18 to press for cessation of nuclear activities.

Aso told Mottaki that criticism in the international society is far stronger than Iran thinks. But the Iranian minister stuck to the country's stance, telling Aso the moves are intended only for research.

At a news conference on Jan. 19, Aso did not hide his irritation over Iran's hard-line position.

"As it stands, the issue will surely be sent to the Security Council. Does Iran understand that?"

he said.

If the council moves to impose sanctions, its negative impact will be felt strongly by Japan.

The damage will not be limited to Azadegan.

If the sanctions involve an Iranian oil embargo, or if Iran, angered by the U.S. and European criticism, halts its oil exports, it will hit Japan hard.

Iran is the third-largest oil exporter to Japan, accounting for about 15.9 percent.

Aso said he would continue efforts to dissuade Iran from its nuclear development.

Since Washington has said it is seeking a diplomatic resolution, a senior Foreign Ministry official said it is unlikely that the council will immediately impose sanctions.

But even without sanctions, there are concerns Washington may call for Japan to stop development of the Azadegan field, the official added.

This article appeared in the International Herald Tribune/Asahi Shimbun on January 26, 2006 and at Japan Focus on January 26, 2006.