

JAPAN'S INDO-PACIFIC STRATEGY: THE LINK WITH IRAN

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Japan's "Free and Open Indo-Pacific Strategy" is linked to the Persian Gulf region. Energy resources, concerns about China's influence on the region's energy and transit corridors, and the suitable consumption market have made this region and Iran have a special place in Japan's Indo-Pacific policy. This issue brief discusses how Iran plays an important role by creating a delicate balance and maintaining a suitable distance from China. In addition to providing the energy needed by Japan and creating investment opportunities in the oil, gas and petrochemical industries and ports, Iran can obtain its technological needs from Japan and diversify its corridor routes by creating the North-South Corridor and connecting India to Central Asia and Europe as well. Such a move would ensure that India does not lag behind in the competition with China's corridors; a move that is also welcomed by Tokyo.

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Introduction

Iran and Japan have different and in some cases opposite views in terms of the way they look at the international system due to the ideology that governs the two countries. After the 1979 revolution, Iran followed the policy of "Neither East, Nor West" and non-alignment. Given its revisionist foreign policy, it had an ideological and ideational conflict with the established international order and the liberal system. The tip of the arrow of this policy is defined by anti-Americanism.

At the same time, Japan is one of the key players

in the liberal order and an important ally of the United States in the international system. As such, Japan is concerned about the expansion of Iran's cooperation with China and military cooperation with North Korea.¹

Japan also expresses concern about Iran's regional policies, especially the destabilization of the Persian Gulf region. Transit security and providing maritime security in the Persian Gulf is one of Japan's main concerns in this region. Japan's first national security strategy, released in December 2013, prioritizes stability in the Middle East as "inseparably linked

to the stable supply of energy, and therefore Japan's very survival and prosperity.”²

Japan's Foreign Policy Perspective

Relations between Iran and Japan have been historical and friendly. Despite Japan's two centuries of self-imposed isolationism (Sakoku) between the 17th and 19th centuries, there were a number of small-scale, yet symbolically important, bilateral exchanges that can be traced back to the visit of a Japanese delegation to the court of Naser al-Din Shah Qajar in 1880 and the visit of Prime Minister Mirza Ali Asghar Khan Amin al-Soltan to Japan in 1903.³

Political relations between Iran and Japan were officially established by concluding a friendship agreement in 1926 during the Pahlavi-Persian era. After 1979 revolution in Iran, Japan once again declared its interest in developing relations by sending a special representative.⁴

The shift power from the West to the East, the position of countries of the Indo-Pacific region in the future world order, and the competition between the U.S. and China have had a significant impact on relations between Iran and Japan in the current situation. Meanwhile, the energy resources of the Persian Gulf and the competition over the international corridors that pass through this region are important in the competition of countries like Japan and India with China. Given this context, the current relations between Iran and Japan in the transitional global order should be evaluated.

To understand Japan's relation with Iran in the 21st century, Tokyo's “Free and Open Indo-Pacific Strategy – FOIP” should be considered as a keystone in its relations with the international community and Persian Gulf countries. The past two decades have seen growing and extensive friendly relations between the Persian Gulf Arab States and Japan. These relations have been mainly economic, involving significant bilateral trade. Recently, signs of security cooperation, cultural exchange, and educational cooperation are also emerging.⁵

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Japan imports about 90 percent of its oil from the Persian Gulf and was one of the largest importers of Iranian oil before the sanctions. This dependency on the energy of the Persian Gulf has made the energy transit security of this region vital for Japan. On the other hand, the geopolitical importance of the region and the role of the North-South and Persian Gulf corridors to the Mediterranean in the race with the corridors related to China's “One Belt One Road” project are important in the competition between Japan and India as two allies against China.

In order to contain China's threats and the demands of the changing world order, Japan has made important changes in its National Security Strategy (NSS). The release of the 2022 NSS, the first since 2013, has been described by observers as “drastic,” likely to “shatter policy norms” in place since World War II.⁶ Accordingly, Japan is committed to its “largest military buildup since World War II,” setting Tokyo on a path to dramatically increase its defense budget and capabilities, directly affecting Japan's Self-Defense Forces and security relationships around the Indo-Pacific region.⁷

The transitional world order has given special importance to the Indo-Pacific region. This region, more than any other region, has geopolitical hotspots, emerging powers, overlapping political and economic partnerships, and risks of conflict. While Southeast Asia is the engine of regional and global economic growth, border disputes in the South China Sea also threaten regional stability. The expansion of China's Belt and Road Initiative (BRI) also increases the geopolitical importance of the Indian Ocean and the Malacca Strait as a maritime route for natural resources. From a security perspective, the deepening rivalry between the United States and China has further complicated these geopolitical and geo-economic tensions.⁸

Based on the vision of a "Free and Open Indo-Pacific" introduced by former Prime Minister Shinzo Abe and embraced by the United States and other countries, Japan is well positioned to continue engaging with like-minded countries on a wide range of issues in order to support regional stability and prosperity.⁹ In order to contain China,

Although Japan welcomes the new alliances in the Asia-Pacific and the increase of the American presence in the Indo-Pacific region, it is worried about the decrease in U.S. presence in the Persian Gulf region. Given the presence of energy resources and critical transit routes, Japan is concerned about the increase of China's influence in this region.

Japan is trying to join the "Five Eyes" group.¹⁰

In addition, it is also a member of Quad (the strategic security dialogue between Australia, India, Japan, and the United States). Some even argue that Japan's membership in the AUKUS alliance between the United States, Australia, and the United Kingdom strengthens this Anglosphere alliance.¹¹ On the other hand, the first NATO office in Asia is to be established in Tokyo to facilitate consultations in the region.¹²

Energy Needs and Transit Security

Although Japan welcomes the new alliances in the Asia-Pacific and the increase of the American presence in the Indo-Pacific region, it is worried about the decrease in U.S. presence in the Persian Gulf region. Given the presence of energy resources and critical transit routes, Japan is concerned about the increase of China's influence in this region. In particular, China has been able to mediate between Iran and Saudi Arabia, and the countries of the region are deepening their relations with China in order to increase their strategic cooperation, which can expand to political, military and security fields in the coming years.¹³

Previously, Japan was benefiting from the order created by the U.S. in the Persian Gulf without paying the exorbitant security costs of this area. This U.S. "Offshore Balancing" strategy¹⁴ has caused changes in Japan's foreign policy towards this region as well.

Japan's vital interests in Persian Gulf stability stem from its need for oil and gas supplies and the centrality of sea lanes of communication (SLOCs) in its 'Free and Open Indo-Pacific' vision.

Despite an economic slowdown, Japan remains one of the largest energy buyers of the region, but the Persian Gulf is also where Japan's strategic limitations are painfully apparent. With the exception of a period of ostensible bandwagoning with the U.S. during the post-2003 stabilization of

Iraq, Japan has largely adopted a hedging position that has maintained engagement with as many regional actors. However, Japan's efforts to become an "honest broker" have not enabled it to shape the evolving regional security architecture, especially regarding Iran and the conflict in the Persian Gulf. Despite competition with China for trade deals and sporadic cooperation with India, Japan's security role is still evolving.¹⁵

Japan's foreign policy in the Persian Gulf is characterized by two conflicting needs. Developing good relations with Persian Gulf Arab states and Iran on the one hand, countries that produce oil and are engaged in conflict with Israel, and on the other hand maintaining Japan's close alliance with the U.S. This gives the impression that Japan is balancing its dual dependencies on both sides.¹⁶

Meanwhile, Iran is important for Japan both in terms of energy resources and (in)security of the Persian Gulf. Iran was one of the two main sources of oil for Japan before the 1979 Iranian revolution. After that, for more than three decades in the 20th century, Iran was still ranked third or fourth.¹⁷ This is because Japan has no negative legacy of colonialism in Iran, nor does it have a history of resisting U.S. pressure to cut Japanese-Iranian economic ties. It should be noted that there were several cases in which Japan and the U.S. "agreed to disagree" on Iran, such as the Japanese yen loan to the Masjid E. Soleiman Hydroelectric Power Project and the Azadegan oilfield concession.¹⁸

In addition to energy supply, one of Japan's goals is to surpass its international competitors such as Russia, China, and Europe to gain the market and invest in Iran's energy sector.

In 2014, when about 80 percent of Japan's crude oil imports came from the Middle East, Iran had 5 percent of that share. In 2003, Iran's share of Japan's oil imports was 16 percent. Before the sanctions in 2006, Japan relied on Iran as one of its main sources of foreign energy.¹⁹

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Even during the sanctions' era, the level of Japanese imports of Iranian oil remained significant—roughly 12 percent of total energy imports—until the Obama administration increased pressure on its allies to comply more strongly with the sanctions' regime in 2012.²⁰

Nevertheless, Tokyo was able to convince some of its companies to find a way to continue their activities in Iran.²¹ Accordingly, Japan is eager to resume the flow of energy imports from Iran, which were largely restricted as a result of sanctions.

As such, Japan has also tried to mediate in Iran-U.S. tensions in the Persian Gulf. Tokyo believes that increasing pressure on Iran will cause more radical behavior from Tehran, which is not aligned with Japan's interests in the Persian Gulf. Accordingly, even when Shinzo Abe was in Tehran to mediate on Iran's nuclear issue and the Japanese supertankers was damaged by an explosion in the Persian Gulf and the Trump administration pointed the finger of blame at Iran, Japan did not accept it.²²

But, based on the "reinterpretation" of the constitution, Tokyo has facilitated the deployment of military forces outside the country's borders in

order to defend itself.²³ While Japanese Maritime Self-Defense Force (MSDF) units have been deployed in the Gulf of Oman, the Arabian Sea, the Red Sea and Bab al-Mandab since January 2020, they were nevertheless restricted from any military action under Japanese law and it is their participation exclusively in “information-gathering activities” as opposed to operating alongside a U.S.-led military coalition which implies that this military activity is the result of very careful deliberation and compromise so as not to upset the balance between the U.S., Iran, and Japan.²⁴

Iran “Look to the East” Foreign Policy

Iran, on the other hand, emphasizes the “Look to the East” foreign policy and is a member of the Shanghai Cooperation Organisation (SCO) and is trying to become a member of BRICS,²⁵ organizations that have been formed in order to confront the dominant Western-oriented order in the international system. Nevertheless, although ideologically, Japan has no place in Iran’s “Look to the East” policy and Russia and China have a privileged position for Iran in this regard, in terms of technology and transit routes, including the “North-South Corridor,” Japan and India still have an important place. Iran’s position in China’s BRI is still not clear in practical terms, despite its favorable geopolitical position.²⁶

“Japan has also tried to mediate in Iran-U.S. tensions in the Persian Gulf. Tokyo believes that increasing pressure on Iran will cause more radical behavior from Tehran, which is not aligned with Japan’s interests in the Persian Gulf.”

Creating the North-South Corridor and connecting India to Central Asia and Europe would ensure that India does not lag behind in the competition with China’s corridors; a move that is also welcomed by Tokyo. The North-South Corridor is an important competitor for China’s BRI and the need to expand relations with India in order to balance against China is important for Japan. Cooperation between the two states is crucial in terms of Tokyo’s vision of “Free and Open Indo-Pacific Strategy” and India’s “Act East Policy”.²⁷

However, what is new about Iran-Japan relations is its influence on Japan’s rivalry with China. Beijing, which has already flexed its economic and geopolitical muscles through the BRI, also considers Iran an important partner. This culminated in the signing of the “Iran-China 25-Year Comprehensive Cooperation Agreement” in March 2021, which, reportedly includes provisions for greater energy cooperation between China and Iran in the form of a discount of up to 30 percent for Chinese imports of Iranian oil in return for Chinese development of major Iranian oil and gas facilities, including that at Azadegan.²⁸

This is mostly based on the fact that Iran itself has taken steps to improve relations with China not only in bilateral formats but also in multilateral formats. In September 2021, Iran’s bid to join the China-Russia-dominated SCO was approved, complementing Iran’s previous strategic partnerships with China and Russia, as well as finalize the SCO’s inclusion of “all the key powers in Central Asia”. While it has been shown that Iran’s decision, like India and Pakistan, to join the SCO is mainly based on the benefit of increased regional cooperation, it should be noted that the SCO is also considered a countermeasure to balance the Western influence in Central Asia.²⁹

If Japan intends to counter China’s growing influence in Iran, it appears to have left that task to fellow Quad member India. India clearly wants Iran to become an integral part of the Asia-Africa

Growth Corridor (AAGC), which also involves Japan as India's main partner. The AAGC, in turn, represents the confluence of Japan's wider "Free and Open Indo-Pacific" strategy and India's "Act East" policy. In 2016, Indian Prime Minister Narendra Modi resumed the development of Iran's Chabahar port, including the creation of a free trade area, as well as the construction of a road and railway line to Zahedan. There is no illusion of a purely economic motive informing this decision: India's development of Chabahar as part of the AAGC is seen as a move to compete with China's development of Pakistan's Gwadar port as an important link in the BRI chain.³⁰

The future course of bilateral relations between Japan and Iran will largely depend on what actions the United States may (or for that matter may not) take as part of its Iran policy, particularly in relation to sanctions and the Joint Comprehensive Plan of Action or JCPOA (signed in 2015). While it is in Japan's interest to salvage the JCPOA in light of North Korea's recent missile launches, the Kishida cabinet and future governments in Tokyo may be tempted by the ongoing Russo-Ukrainian War to revive their energy import relations with Iran, as Japan seeks to end its energy dependency on Russia.³¹

Based on this, Japan is trying to become a new important investor in Iranian ports after China and India. The development of maritime shipping has been one of Japan's most vital goals in the past decades. Accordingly, the Japanese ambassador in Tehran, Aikawa Kazutoshi, visited Shahid Rajaei port in Hormozgan province with the aim of investing in it, and expressed his hope that the trade between Iran and Japan will return to the previous state, saying that "faster transportation routes and high security has made Iran the best transit point."³² With the benefit of modern container terminals and port equipment, the Shahid Rajaei accounts for 80 percent of the total loading and unloading (140 million tons per year) in Iranian ports.³³ This port is also located inside the Strait of Hormuz, through

which about 18 million barrels of oil pass daily.³⁴

Conclusion

Iran has an important place in the "Free and Open Indo-Pacific Strategy" to meet Japan's energy needs on the one hand and contain China on the other. Also, the North-South Corridor that connects India to Central Asia and Russia is important for Japan in curbing China's BRI. Therefore, Japan is concerned about Iran's tendency towards China, which causes the expansion of Beijing's influence in the Persian Gulf region, and is trying to somehow keep Iran for itself while maintaining relations with the U.S.

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