

## U.S. — Japanese Relationship over the Persian Gulf

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### 『ペルシア湾岸情勢と日米関係』

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#### 要 旨

ペルシア湾情勢の将来を語ることは、専門家のする事ではない。この地域は、予言者の墓場である。いわく、イランの王制は安泰である。いわく、イランの革命政権は短命である。いわく、イラン・イラク戦争がイラクの短期間でイラクの圧勝に終わる。などなどである。

しかし、その将来を敢えて展望して見ると、不安定な要素が多い。四つの変化の流れが合流してアラビア半島諸国を洗うだろう。それは、人口爆発、石油収入の低下、アメリカ軍の存在が引き起こす民族・宗教感情高まり、そして指導者の世代交代である。またイラクではサッダーム・フセインの独裁が続いている。しかし、この長期不安定政権にもいつかは変化が訪れるであろう。

こうして見ると、ペルシア湾岸諸国で一番安定感があるのはイランである。そのイランでは緩慢ながらも革命熱の低下するプロセスが進行している。革命体制の「進化」が起こりつつある。この進化に注目して、イランとの批判的な対話を進める日本やEUと、イラクとイランの同時封じ込め、いわゆる「二重封じ込め」政策を掲げるアメリカとの間に齟齬が生じている。イランの国内情勢の変化に対応した「進化」が、アメリカのイラン政策にも求められている。

#### ABSTRACT

Change will come to the Persian Gulf countries one way or another. Given that change stems primarily from domestic factors, there is probably little that outside powers can do to influence the course of events in the Gulf region. Meanwhile, no matter what happens in the region, and who holds power there, Japan must purchase oil and gas from Gulf producers. Perhaps the only comfort is that the rulers of Gulf oil producing countries also have no alternative; they must export these commodities.

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Sooner or later, the regime in Iraq will collapse. Thereafter, the major challenge will be to maintain the unity of the country, and, if possible, forestall the reemergence of a dictator. Preventing Iraq from sliding into civil war like Afghanistan, and assisting the Iraqi people to rebuild their country, is the responsibility of the international community as well as Iraqis themselves. Iraq is far too important to be allowed to destroy itself. Cooperation among neighboring states (including Iran) and outside powers is a prerequisite for preventing Iraq's self-destruction.

Iran remains the key to the Persian Gulf. There is a debate about its international behavior, but its society is steadily changing. Iranians respond to Islamic slogans with little enthusiasm. Their waning commitment is reflected in the composition of the Iranian parliament elected in 1996, which contained fewer conservative *mullahs* and more women than ever. The city of Tehran is cleaner, bedecked by flowers rather than revolutionary graffiti. Capturing the sentiment of the times, big Iranian hotels have begun to honor credit cards like Visa and Master Card. These changes prepared the way for Mohammad Khatami's upset victory in the presidential election last May.

Just nine years have passed since Ayatollah Khomeini's death, and only ten years have elapsed since the Iran's war with Iraq ended. Recognizing that it takes time for revolutionary fervor to cool down, the best course of action for outside powers to adopt may be simply to allow this process to continue. Meanwhile, one hopes that US policy towards Iran will correspondingly evolve.

### **Crude Reality**

Stability, stability, yet more stability. That is what Japan wants in the Persian Gulf. Stability means an uninterrupted flow of energy supply to Japan. No one has to be reminded of Japan's heavy dependence on the Persian Gulf crude. Since the first oil crisis in 1973, Japan has tried to diversify its sources of energy and reduce its reliance on the Persian Gulf sources. Yet almost a quarter of century later, Japan is still heavily, some would say dangerously, dependent on the Persian Gulf oil. Japan's effort to diversify its oil sources led it to invest in oil development. But, alas it has drilled more dry holes than oil wells.

Another way is to import from other regions. For Japan, importing from its neighbors like China and Indonesia is a logical step. As the Asian-Pacific region grows economically, however, these countries have started consuming most of their oil domestically. In 1994 China became a net importer of oil. Indonesia is following suit. And Japan will become even more dependent on the Persian Gulf crude as Asian oil exporters are turning themselves into oil importers. As the East Asian sources dry up, Japan's dependence on the Persian Gulf sources has been steadily increasing.

Yet one more way to diversify is to develop nuclear energy. But given the

experience of Hiroshima and Nagasaki, anything nuclear is considered a suspect in Japan. And after the Chernobyl, anti-nuclear sentiment is hardening. And a recent accident of the fast breeder reactor was no help. Increasingly it is getting more and more difficult and expensive to get a local approval to build a new nuclear power plant. Nuclear energy is not a substitute to the Persian Gulf crude.

There are other forms of energy as well, most promising being natural gas. Its huge reserves are, however, also in the Persian Gulf countries such as Qatar and Iran. In February 1997, a consortium of Japanese companies has signed a huge long-term contract on natural gas with Qatar. There seems to be no way out for Japan of its reliance on the Persian Gulf supplies either way. Given the fact that Japan will continue to rely on the Persian Gulf for its energy procurement, it comes as no big surprise that Japan's interest lies in its stability.

When considering Japan's interest in the Persian Gulf, a few more words are necessary about the importance of Iran. Because of its population of 60 million, it is a significant market. Its population is expected to double to the level of current Japanese population in the next generation before being stabilized. Iran is important on its own right as a supplier of oil and as a potential market. Also it is seen as a gateway to the newly liberated Central Asia, where natural resources, especially oil and gas, remain to be developed. Although there are other gates to this region, one of them being through Pakistan and Afghanistan. But the former is in the midst of political upheaval and the latter in evil civil conflict.

Turkey is another bridge to the Central Asia, and Japan has a strong economic presence there. Japanese business is already moving into the region through Turkey with Turkish business partners, especially with its construction companies. Yet Iran remains the key. Geographically it represents the shortest land bridge between the Central Asia and the Indian Ocean. In 1996, Iran and the Central Asian countries linked up their railway systems to form the so called Silk Road Railway. Finally one has to mention that Iran is the only country that touches both Persian Gulfs, namely the Persian Gulf and the Caspian Sea, to which some refer to as the Second or the New Persian Gulf, because of its huge oil reserves.

### **The Arabian Cocktail**

What could or would threaten the stability of the Persian Gulf that Japan so

desires? A unique combination of factors, what this author calls the Arabian Cocktail, might threaten it. What are they? They are low oil price, population explosion, American presence, and the generational change of political leadership in the area.

Oil price has been low since the mid 1980s. Low energy price resulted in low revenue level for the Persian Gulf countries. Non-oil producers suffer as well because lower revenues for oil exporters results in slower trickle down of cash from oil producers to non-oil producers. The continuing unrest in Bahrain is indicative of the impact of low oil revenue.

The reduced oil revenue now has to be shared among many more people than ever before, because the Gulf countries have been experiencing what demographers call population explosion. Its reasons are many. In the 1980s, the two countries with the largest population in the region, Iran and Iraq, fought each other for eight years. Since a newly born boy baby would be mobilized as a soldier in a matter of a decade or so especially in Islamic Iran. Nothing was done to control the population growth.

The countries of the Arabian Peninsula have also witnessed a spectacular population growth. In Japanese, there is a saying "the poor has many kids." In the Gulf countries this is precisely what has been happening. And what is more the rich is having many children as well. This is because the countries with small population sitting on the huge oil reserves has taken policies that encouraged a traditional preference of a large family. They have felt uncomfortable and suspicious about the intention of their more powerful neighbors like Iran and Iraq. Their suspicion was, of course, amply confirmed by Iraq in 1990.

In the oil rich countries like Kuwait and Saudi Arabia, medical services and education are free. And loan is provided by the government to those citizens in need of housing. When the educational level of women rises, usually family sizes shrink because of female participation in a labor market. But in countries like Saudi Arabia, not many women join its labor market. And where they do like Kuwait, they can rely on domestic servants from Philippines, Sri Lanka and other countries. So incentive to reduce the family size is weak. All these factors contribute to a rapid population growth. Since lower oil revenue has to be shared by more people, income per-capita has to go down. In case of Saudi Arabia, it is only one third of what it was at the peak of high oil price in the early 1980s. No wonder some of its citizens are not happy with the royal

family.

Politically, the composition of a population is as significant as its size. And the share of the young people is very high in this region. Majority are under their 20s. This means more and more people are moving into a labor market looking for a job. And because of the economic downturn caused by lower oil revenue, it is getting more difficult for them to find one. For the first time since the 1970s, they have to lower their material expectation in life than that of their parents. And many are finding the solution of their problem in Islam. One would advise them that Islam does not necessarily provide material solution as economic difficulty in Islamic Iran shows let alone civil wars in Sudan and Afghanistan. But apparently the call of Islam is increasing its appeal.

The third factor is the expanded presence of the United States in the region after the Gulf Crisis. Because of the military weakness of the Arab Gulf states, it is felt that the American military presence is needed to deter aggression and defend the Gulf sheikhdoms if attacked. Domestically this involves risk, because the presence of foreign troops stirs nationalistic and religious feelings of the local population. Particularly given the American support of the State of Israel and tortuous path that the peace process trailing, it rubs the sensitivity of many Arabs. And in their eyes, too close an association of ruling elites there with the United States erodes their legitimacy as rulers of Islamic societies. Although one does not have any public opinion survey in the Persian Gulf, it is obvious that at least those who throw bombs are not happy with the American presence. No one has to go further than Okinawa in southern Japan to witness the friction that the presence of foreign troops causes. To put it figuratively, before the Gulf Crisis, American forces had been over the horizon, but until a series of bombing incidents they were just around the corner. The rulers face contradiction between the need to host the American troops and the damages it causes to their legitimacy.

Precisely when these three factors are coming together to make the political management more difficult, the region is entering a period of change of leadership. One often describes the politics in the Middle East unstable and unpredictable. But it has been much more stable than Japan, for instance, where in the last three years or so, eight politicians have taken their turns of premiership prompting the Economist magazine of London to call the Japanese political system as “Karaoke democracy”, where everyone will be given a chance to sing a song or two, including one’s political swan song, as prime minister if one is

patient enough to wait. In the Persian Gulf countries there has been only one king, one sultan, one sheikh, one emir, one president, and one Saddam Hussein for a long time. But some of them have reached biological limit of their political career. Younger generation of leaders in the Persian Gulf countries, though probably better educated, lacks experience and charisma of the present rulers. And there is no guarantee that the transition of power will be smooth and peaceful.

All these four factors, low oil revenue, population explosion, the tension that the American military presence causes, and the generational change of leadership, together will produce an explosive mixture of the Arabian Cocktail the oil importers will have to taste in the next century.

### **The China Syndrome**

So most probably threat comes domestically. Another factor that may make Japanese access to the Persian Gulf crude more difficult is the emergence of the newly industrialized economies in the East Asia. As already mentioned, China has been a net importer of oil since 1994. Other Asian economies are following the same path. What is more, they will not only stop exporting oil but also start importing it, from nowhere else but the Persian Gulf. In 1997 Malaysia announced its plan to invest in the Iranian energy industry. Indonesia will soon become a net importer of oil. Since both Malaysia and Indonesia are Muslim countries, they can play with religious sentiment of the Persian Gulf countries in their dealing with them. China can sell anything from nuclear technology to missiles in order to gain access to the Persian Gulf oil. They will soon become formidable competitors in procurement of the Persian Gulf crude.

Their appetite for oil has been steadily growing because of the industrialization financed by Japan's economic assistance and direct investment in them. While on one hand one segment of its government is working hard to secure the oil supply, on the other hand another segment is in effect encouraging oil consumption by others. Japan has no one else but only itself to blame for this.

### **Mostly Economic**

Japan can not play a military role in the region. Its peace constitution bans the use of force outside of Japan. And as a matter of policy it does not export weapons. Only its economic resources are at the disposal of Japan's diplomacy. But directly Japan's economic might can do little to alleviate the impact of on-going change, such as surge of religious sentiment or population

explosion. Japan has little influence over what happens in a bedroom in the Arabian Peninsula.

But when a superior economic resources of Japan can be mobilized, its weight is felt. As mentioned, a group of Japanese companies signed an agreement with Qatar for a long term supply of its natural gas in exchange of huge capital expenditure that few economies can afford. It is said that the price of gas agreed upon was significantly higher than a prevailing international one. But not much complaint has been heard from the Japanese business circle. Partly because they can pass on that higher price to Japanese consumers. But Japan's emphasis is on stability of supply rather than price. And perception both in the Persian Gulf and in Japan is that it can afford it. Japan is willing to pay higher cost for its energy if necessary. But that is not considered to be enough by the Persian Gulf countries. They all want direct investment by Japan. Because investment creates jobs to absorb their young citizens coming into a job market. Thus, in order to cement ties with the Persian Gulf countries, Japan has to invest there.

But obstacles are many. First of all, culturally, geographically, and psychologically there is a vast distance between Japan and the Persian Gulf. Secondly, it is unfortunate that labor force in the Persian Gulf does not enjoy the reputation of neither cheap nor hard working. Saudis and Iranians are not competing among themselves in attracting foreign investment. Their rivals are Vietnamese and Indians where economies are booming just to mention two cases. And when Japanese business leaders do decide to invest in the Middle East. Turkey seems to be their choice not the Persian Gulf. Big Japanese companies are investing in Turkey. Toyota has a factory in the area not far from Istanbul. The Bridgestone Tire Co. has a factory there and their products are gaining reputation of highest quality in Europe. And Honda will start manufacturing automobiles in Turkey soon. This is because of the size of domestic market, its Customs Union with Europe and of course the diligence of Turkish workers.

It should be said that the despite the fact that the countries in the area are asking Japanese businesses to invest. Applying for an entry visa to some of the countries sorely test the patience of applicants. This is indeed a curious way of promoting foreign investment. Their red tapes are redder and bureaucracy more labyrinthian than many other parts of the world. They seem to regard all foreigners as potential criminals. They are as suspicious of foreigners as Japanese are. For all these reasons that the Japanese business is not too enthusiastic to

invest in the area. The past cases of investment have been too far and too few in between to the chagrin of Arabs and Iranians alike. On certain things they do can agree.

### **Binding One's Own Hand to the Back**

In other regions of the world, cutting edge of Japan's foreign policy is the economic aid. Japan offers a loan in yen at a low interest rate. This is the sharpest instrument that has allowed Japan to cut into the market of China and Indonesia to mention just two of the most well known cases. But Japan can not offer yen loans to most of the countries of the Arabian Peninsula, because their income per-capita is too high. By law Japan can offer a yen loan only to the countries whose income per-capita is below a certain level. Its rationale is that Japan's aid is a humanitarian nature.

Saudi Arabia does not need a yen loan, but for example Bahrain could benefit from it. Although its income per-capita is high, given the small size of its population there might be a case when its government feel difficult to raise enough capital to undertake a major project. It seems that by this policy Japan is denying itself the most potent weapon in its arsenal.

Also given the importance that the government of Japan attaches to investment in the area particularly in Saudi Arabia, it is about time to consider offering incentives to encourage private investment there. If Saudi Arabia were to be perceived as a profitable place to invest, Japanese capital by now would have flooded its desert. Without any promotion by the government of Japan, yen is flowing into Vietnam, to repeat the example cited before. Because it is seen to be profitable to do so. The absence of massive investment in Saudi Arabia clearly shows that the Japanese companies do not see it that way. If indeed policy makers in Tokyo regard it important to see more Japanese investment in the Persian Gulf, they should better face the reality that the region is not that attractive to investors and do something about it.

### **Damned We Build and Damned We Don't.**

There is no major conflict of interest between the United States and Japan in the Persian Gulf. Peace and stability of the region is in the common goal of the two partners. But as far as the means to achieve it, there is a considerable difference. As for the countries of the Arabian Peninsula, there exists a good division of labor between the United States and Japan. The former makes money by selling warplanes to the Gulf Arab countries and the latter purchases petro-



leum from them so that they can pay to Americans. Of course as sovereign states they themselves should decide their own defence needs. But sometimes one wonders whether warplanes are purchased to build up defence capability or to build up fortunes of those involved in the transactions.

But of course the major difference between Washington and Tokyo is not over arms sales by the United States to the Arabs, but about how to deal with Iran. There is an honest difference of perception and opinion. In order to induce the change of international behavior of Iran, is it better to isolate it or to engage it in dialogue? Americans tend to take a hard-line approach with a stick while Japanese a soft-spoken one with a lot of carrots. Neither is following the good advice by Theodore Roosevelt that "Carry a big stick and speak softly". On one hand Americans are carrying a big stick but speaking harshly, on the other hand Japanese are speaking softly but carrying only a big carrot. No one knows which approach will work in the end. But past experiences with Cuba and North Korea seem to indicate that isolation only harden the system and help the entrenchment of hard liners within it. We are still stuck with the two remaining communism in both cases despite many decades of isolation.

As a symbol of soft-spoken approach, Japan offered to extend a yen loan to finance a building of a dam in southern Iran in 1993. The loan was planned to be extended in four tranches, but it is reported that because of the pressure by Washington only the first tranche was disbursed and the rest being suspended. Iranians are angry with this delay. But the disbursement of the second tranche would surely offend Washington. For former Secretary of State Warren Christopher, the suspension of this loan stands as a lone trophy of cooperation from American allies in his effort to isolate Iran economically.

But in Iran the suspension of the loan stands as the symbol of Japan's failure to deliver its promise. The official position of the government of Japan is that it is considering all options on this matter including freezing. But it has been already four years since then. It is a long time to think. This reminds one of a saying about Japanese chess, "A poor player's thinking is similar to resting." Of course like many other things, according to Iranians, the game of chess was invented by their ancestors.

After so long a delay the government of Iran finally has given up on Japan and used its own fund to resume the construction of the dam. Ayatollahs are often accused of keeping the Iranian nation in the dark ages, but the United

States seems to be trying to keep Iranians in the dark by opposing Japan's loan to build a dam to generate electricity. When the West had refused to finance the construction of the Aswan High Dam in 1956, Gamal-Abdl Nasser responded by nationalizing the Suez Canal Company. Japan is lucky to own no canal in Iran.

### **From Revolution to Evolution**

Change will come to the Persian Gulf countries in one way or another. Given the sources of change being internal, probably there is not much that outside powers can do to influence the course of events there. No matter what happens in the Arabian Peninsula and who will be in power, Japan has no choice but to deal with them and purchase oil and gas from them. Only comfort one can find is that no matter who control oil, it has to be exported. Even the most radical Ayatollahs did not try to drink it.

And sooner or later we might probably witness the collapse of the regime in Iraq. The major challenge is to maintain the national unity of the country without the dictator. Preventing it from falling into civil war like the one that we are observing in Afghanistan is a responsibility for the international community as well as Iraqis themselves. Iraq is too important to be allowed to destroy itself like that. In order to achieve that, cooperation among neighboring states and outside powers are prerequisite. And that should include Iran.

Iran remains the key to the stability of the Persian Gulf countries. There is a debate about its international behavior, but its society has been changing steadily. People still go along with Islamic slogans but with little enthusiasm. It is reflected in the composition of their new parliament elected in 1996. There are fewer people with a turban around their heads, and more women than ever before. Interestingly, not only the so called "moderates" but also the "conservatives" have female members of the parliament. They seem to understand that they can not afford to ignore female voters. The city of Tehran is getting cleaner and cleaner. There are more flowers and fewer graffiti of revolutionary slogans. Iranians are suffering their share of the post-Cold War syndrome. They have lost a good verbal balance of "Death to America and death to the Soviet". They have new ones like "Death to Serbia", but it is too light a weight to balance the Great Satan. One dares to propose that "Death to America, but dollars to us!" is a more honest expression of popular sentiment. And since the last few years, the big Iranian hotels have started honoring major credit cards like a Visa and a Master Card. These changes set the stage for Mohammad Khatami's

upset victory in the presidential election last May.

So the Iranian society is changing steadily. One has to take note that it has been only nine years since the passing of Ayatollah Khomeini, and ten years since the end of the war with Iraq. And 19 years since the flight of the Shah. It takes time to revolutionary fervor to cool down. And their body temperature has cooled down considerably. The best course of action seems to be to allow that process continue.

One hopes that evolution will also take place in the U.S. policy towards Iran as well. If that happens, Tokyo and Washington will live together happily ever after in the Persian Gulf. But one might be too optimistic to expect that from the country where Christian Fundamentalists are not happy with the idea of evolution itself. There is not much Japan can do about the rise of “Fundamentalism” either in the Persian Gulf or in the United States.

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