CHAPTER - V
Japan - Middle East Relations beyond the Arab world – Iran and Israel

Japan's relations with the Middle East Countries after the 1973 oil crisis were mainly focussed on the Arab world as it was heavily dependent on Arab oil for its industrial development. After the crisis Arab countries were not only supplying a large share of oil to Japan, they were also giving enough scope for Japan to expand its economic activities in the region. However, its relations with the Middle East were not restricted to the Arab world alone. Japan had two more important partners in the region – Iran and Israel. As these two countries were not part of the Arab world, Japan's relations with them were on a different footing. Iran was a pro-U.S., monarchy till its ruler Mohammad Reza Pahlevi was overthrown by an Islamic Revolution led by a religious leader Ayatollah Khomeni in early 1979. Since the days of the Shah, Japan had had strong economic relations with Iran besides its dependence on oil. Therefore, Japan's policy towards this Persian country before and after the Revolution attach much significance, particularly since the takeover of the country by the Islamic leaders.

Like Iran, Israel being a Jewish state is also not a part of the Arab world. As it creation was disputed by the neighbouring Arab countries
and its political status was not recognised by the Arabs, Israel was in constant conflict with its neighbours since its inception in May 1948. They fought four major wars, mainly on the question of a homeland for the Palestinians in the Israeli occupied areas and for the return of occupied territories in the 1967 war. In these wars, the Western countries, particularly the United States were supporting Israel as its survival was necessary for the success of the U.S. political strategy in the Middle East region. Being an ally of the U.S, Japan also supported Israel, though not explicitly, till the 1973 Oil crisis. Since then the Oil had become an important factor in the Middle East politics. As Japan heavily depended on the Arab oil and at the same time, was bound by its special relations with the U.S. Japan’s relations with Israel invite special attention and deserves a serious analysis.

4.1 Japan—Iran Relations during the Shah Period

As in the case of Arab countries, Japan’s relations with Iran, a non-Arab Muslim country in the Middle East region, have also been closely connected with its energy needs. While Japan’s direct and active relations with the Arab world started only after the 1973 oil crisis, its relations with Iran go back to the early years of Japan’s independence. Due to its oil reserves and strategic position – proximity with the central Asian and Soviet region – Iran has always been in the eyes of the world
powers. Relations with Iran constituted one of the main pillars of the Middle East policies of many countries. When the Shah Pahlvi took over the country's regime in August 1953 and put the country on the path of modernization and westernization, the United States, foreseeing its economic and strategic importance, particularly in the prevailing cold-war context, established very close and friendly relations with Iran. This pattern continued till the Iranian Revolution of 1979 which forced the Shah to abdicate his throne. During the Shah's period, centralized and continuous rule by monarchy provided the country a special place in the region. Its close links with the United States, influence of western culture, an ancient civilization and a distinct language, etc, gave it a separate political identity from other Muslim countries of the region. Besides, Iran's non-involvement in the Arab-Israeli conflict kept it away from the complicated Middle East Politics.

Hence, when Japan resumed its diplomatic relations with the Middle East countries, Iran was one among them. As Iran was one of the closest allies of the U.S, Tokyo considered it as a friend in the Middle East region. However, Japan's relations with Iran were rather minor till the second half of the 1960's because even on the oil front, which was the main economic link connecting the two countries, there was no need
for a direct contact. The Western oil companies were taking care of the oil supplies to Japan.

After the 1967 Arab – Israeli war, the Palestine issue and the Israeli occupation of Arab territories became serious issues. Japan, fearing the disruption of Arab oil production and supply due to frequent conflicts between the Arabs and the Israeli’s, looked to Iran as an alternative source of oil supply. The growing political tension and the anti-U.S. feelings in the Arab World also tempted Japan to move closer to its friend’s friend in the region, the Shah of Iran. During this period, the Shah tried to modernize the oil industry through building up joint petrochemical industries in Iran. Japan quickly responded to his request for investment. In November 1968 Japan sent a team to study the economic viabilities of such an investment in Iran. The team was led by Sueyuki Wakasugi, vice President of the Mitsui & Co. Japan, because of its anxiety in procuring more energy sources, took interest in starting a company to utilize the wasted and burned natural gas from the oil wells, eventhough the feasibility study conducted by Mitsui was against such a venture as the cost of construction was high. As the construction of such a petrochemical plant with less cost in Japan could create environmental

issues, the Japanese government persuaded the Mitsui Company to come forward to join the proposed joint-venture and thereby establish the base for future economic relations. Since then, the Japan – Iranian relations had developed on a fast track and moved further to the oil industry².

In May 1969, the Iranian Foreign Minister Ardashir Zahidi, visited Japan to explore new avenues in their relations. In his meeting with the Japanese Prime Minister, Eisaku Sato, Zahidi sought Tokyo’s assistance in exploring oil in Luristan, 400 km away from the Persian Gulf in western Iran. Tokyo was interested in this project as Japan considered it as a stepping stone for further ventures in oil exploration. The Japanese Government supported a consortium of Mitsui-affiliated companies (Mitsui & Co., Mitsui Toatsu Chemical’s, Toyo Soda, Mitsui Petrochemical and Japan Synthetic Rubber) to get the project through private bidding despite its cost factor over its rival Mitsubishi³.

In early 1970, when the American company, the Allied Chemicals withdrew from its joint venture with the National Petrochemical Company of Iran (NPC), Tehran asked for the assistance of the Mitsui to

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² Ibid.
run this company, called Shahpur Chemicals. In 1971, after a feasibility study, Mitsui entered into the joint venture with NPC.

In February 1971, the Arab oil producers got a 35% increase in the price of oil per barrel. This was considered as weakening of the grip of the oil majors over the oil producers. Japan viewed this as an opportunity to secure Iranian oil directly from the producers. Mitsui thus decided to set-up a crude-oil importing company in Japan with National Iranian Oil Company (NIOC) as partner. On October 19, 1971, Mitsui and the Iranian Oil signed the Basic Agreement on the petrochemical venture which would bind Mitsui until the year 2002. As a pre-condition, the Mitsui also signed an agreement with NIOC for a petro-chemical project. As a result, in July 1973, the Iran - Japan Petro - chemical Company (IJPC) was established with NPC (subsidiary of NIOC) and Mitsui as equal partners. Meanwhile, the Japan consortium for Luristan set up a new company, the Iranian Petroleum Corporation (IPC). Before this, in March 1972, with the assistance of Mobil oil and the IJPC, the NIOC founded an oil exploration firm known as Iran - Nippon Petroleum Company (INPECO).

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All these collaborations by Japan in the Iranian oil sector were primarily aimed at freeing itself from the control of oil majors as well as from the growing clout of the OAPEC. It helped Japan to move closer to Iran and establish strong economic relations with this oil rich Persian country. However, Tokyo's effort to ensure a free flow of oil to Japan did not succeed during the oil crisis followed by the 1973 war.

During the oil crisis, Japan approached Iran for more oil supplies. But Iran followed the OAPEC decision despite the promise that Iran would consider Japan’s request for more oil\(^5\). In fact, this volte face by Iran was a real shock to Japan, considering its close economic relations with Tehran. Japan expected that being a close friend of the U.S. and having collaboration with Japan for various new oil-related projects, Iran might come to its help. Moreover, Iran was not directly involved in the Middle East dispute or the October War. Nevertheless, Japan did not show much of its displeasure as it still felt that as long as the pro-US Shah regime was in Iran, its oil interest would be furthered.

When Japan tilted its Middle East policy in favour of the Arab world after the oil crisis, it took necessary care to carry Iran within the new framework. Iran was one of the countries the Japanese Deputy Prime Minister Miki visited during the crisis in December 1973. But

\(^5\) Discussed in chapter II (Japan Times Weekly October 27, 1973).
Japan lost its interest in oil drilling in Iran due to the cost escalation of the projects. The abnormal increase in oil prices during and after the crisis hit the Japanese economy very hard, and at the same time, the world-wide inflation shot up the cost of projects – for example the cost of oil drilling project estimate jumped from 170.8 billion yen in 1972 to 740.9 billion yen in October 1974. This development dashed the Japanese hope of a profitable oil-drilling project. The Mitsui oil-drilling project came to a halt particularly after the withdrawal of Mobil Co. However, Japan continued its effort in getting a hand in the Iranian oil sector. During his visit to the Middle East countries, from 5-11 September, 1978, Prime Minister Takeo Fukuda promised Exim Bank’s fund to Iran to finance the construction of a petro-chemical complex under the wing of the Mitsui group with completion scheduled for 1979-80. He also accepted Shah’s call for Japan’s overall co-operation in natural gas development in Iran. But the work of the existing unit, however, could not continue as the workers of the petro-chemical plant joined the nation-wide strike called by their revolutionary leader Ayatollah Khomini, against the regime of Shah. Consequently, after 85% of work was completed, the Japanese workers and managers bade

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7  'Japan now shifting its economic and technological ties to West Asia', Australian Financial Review, 26 September, 1978.
farewell to the Bandare Shah pur Petrochemical complex. Soon, the Shah was overthrown and the new leadership came to power much to the dismay of Japanese investors.

In short, Japanese relations with Iran during the Shah period, particularly after the 1973 oil crisis, were centered around Japan's effort to get a major oil source outside the Arab world. Although, the Political climate in Iran under the Shah was favourable to Japan, it could not make much progress in this field. But it provided Japan a place in Iranian oil sector and other related fields. Japan was also successful in establishing strong trade relations with Tehran. By 1976, it became the third largest exporter to Iran, after the U.S. and Britain. During the period between the oil crisis and the fall of Shah, Japan established a number of companies in Iran with and without the local participation. (See the Table 5.1).
<table>
<thead>
<tr>
<th>Japanese Investors</th>
<th>Capital Ratio</th>
<th>Name of the Companies</th>
<th>Date of operation</th>
<th>Major Business lines</th>
<th>Partner firms</th>
<th>Location</th>
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<tr>
<td>Bridgestone Tyre &amp; Marubeni Corporation</td>
<td>45 05</td>
<td>Bridgestone Trading Co. (Pty Ltd)</td>
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<td>Automobile Tyres &amp; Tubes</td>
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<td>Galvazined Iron Sheets</td>
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<td>Chiyoda Chemical Engineering &amp; construction</td>
<td>49 10</td>
<td>Payaz Co.</td>
<td>July 1974</td>
<td>Plant equipment</td>
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<td>Fudo Construction</td>
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<td>July 1976</td>
<td>Civil Engineering Consulting</td>
<td>Local capital 90%</td>
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<td>Honda Motor</td>
<td>21</td>
<td>Sherkat Bazargani Tzro</td>
<td>May 1976</td>
<td>Knock down production of motorcycles</td>
<td>Local Capital 79%</td>
<td>Tehran</td>
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<td>Kajima Corp.</td>
<td>25 25</td>
<td>Kajima Hazama Gumma Co.</td>
<td>May 1977</td>
<td>General Construction</td>
<td>Gammer Co. 50%</td>
<td>Tehran</td>
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<td>Kubota Marubeni Corp</td>
<td>20 20</td>
<td>Iran Kubota Industrial works Ltd.</td>
<td>Feb 1974</td>
<td>Cultivators Engines; Sale of tractors</td>
<td>Golabchi family 60%</td>
<td>Tehran</td>
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<td>Kunagai Gummi</td>
<td>70</td>
<td>Kumagai Iran Co.</td>
<td>Jan 1977</td>
<td>Construction</td>
<td>H.M. Hovsepian Omnik, Sahakyan 30%</td>
<td>Tehran</td>
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<td>Matsushita Electric Industrial</td>
<td>30</td>
<td>National Electric Industrial Co. (Iran)</td>
<td>Jan 1973</td>
<td>Home Electric appliance</td>
<td>M.F. Gasemi 70%</td>
<td>Tehran</td>
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<td>Mitsui Co.</td>
<td>10.64</td>
<td>International Agro Business Corp of Iran</td>
<td>May 1973</td>
<td>Development of Agricultural Live stocks</td>
<td>Chase International Investment Co. &amp; others</td>
<td>Khuzistan</td>
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<td>Nippon Electric</td>
<td>40</td>
<td>Irano-Myon Electronics Ind.</td>
<td>Feb 1974</td>
<td>Communication Equipment</td>
<td>Industrial &amp; Mining Development Bank of Iran 60%</td>
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<td>Nissho Iwai Corp</td>
<td>24.7</td>
<td>Shahour Mfg Co.</td>
<td>April 1974</td>
<td>Dyed acrylic Yarns</td>
<td>Local capital &amp; others 75.3%</td>
<td>Tehran</td>
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4.2 Japan and the New Iranian Govt

With the Iranian Revolution of 1979, the first phase of Japan-Iranian relations came to an end. The fall of the Shah regime with the Revolution was a serious setback to Japan’s ambitious plan to collaborate with Iran’s oil industry. However, the sweeping changes effected by the new conservative rulers in the political, economic and social field did not lead to a break of relationship or a full stop over its joint ventures in Iran as Japan apprehended. Realizing the need to take the Iranian economy to a higher level, the interim government headed by Prime Minister Bazargan and then by the new revolutionary leadership, needed foreign collaboration. After the fall of the Shah, the relations with the U.S. and the West European countries had worsened and they became untouchable to the new leadership. While Japan had been a model of unity and industry for the Shah’s Iran, it was an example of the
synthesis of an independent culture with modernization for the new “Islamic” Iran. Because of this outlook, Iran naturally preferred Japan, which had already established its presence in the Iranian Petrochemical industry. In April 1979, Prime Minister Bazargan, in a letter to the Japanese counterpart, Masayoshi Ohira, requested Japan to resume the work of the Petrochemical complex, which had stopped its operation on the eve of the Revolution. The new revolutionary government, as a gesture even exempted the IJPC from their proposed nationalization of petro-chemical industries.

Japan viewed this gesture as a good sign for strengthening its relations with the new Iranian leadership. It was also an opportunity for Japan to fill up the economic gap being created by the U.S. withdrawal from Iran. Seeing a favourable atmosphere, the Mitsui company persuaded the Japanese government to upgrade the project to a national project. It was hoped that such a measure would strengthen the government to government relations and ensure the supply of Iranian oil.

to Japan. The Japanese Government, on October 12, 1979, extended financial support to the project and the Iranian Government reciprocated with a pledge to secure the supply of oil to Japan\textsuperscript{11}. Unfortunately, before the construction work of the project could resume, on 4 November, the U.S. Embassy in Tehran was taken over by a group of students and the embassy staff were held as hostages. The crisis led to the fall of the Bazargan government and the resumption of the construction work was then postponed. A more conservative but revolutionary government under the guidance of their spiritual leader Ayotullah Khomeni took over the reins of government. The U.S. Administration's retaliatory measures including imposition of economic sanctions against Iran, seriously affected the Japanese business interest in Iran.

But in the sphere of oil exploration, Japan skipped the U.S. sanctions by arguing that Japan's presence in Iran was necessary to work as a link between the U.S. and Iran. It was also argued that a complete isolation of Iran by the democratic world would push Iran into the hands of the U.S.S.R. who was waiting for an opportune moment to get rid of the U.S. presence from the strategically important area. This reasoning somehow convinced the US of the need for the Japanese presence in Iran and therefore did not insist on the Japanese withdrawal

\textsuperscript{11} Ibid, p. 72-73.
from the project. However, negotiations on crude-oil supplies under direct-deal contracts got delayed due to the diplomatic impasses and the dismissal of the former chairman of the National Iranian oil company (NIOC), Hassan Nazits, in September 1979\textsuperscript{12}. In the early December 1979, the NIOC invited the Japanese companies to negotiate new oil supply contracts. The Japanese companies then sought the oil supply to the tune of 90,000 barrels a day for the next year, instead of the present 45,000 barrels a day\textsuperscript{13}.

While Japan and Iran were engaged in a direct-deal for oil supplies, Japan resumed the work of its ambitious plan for the petrochemical unit, but after a few months it got disrupted. This time it was the Iran-Iraq War. Iraq attacked Iran on 22 September 1980 and on 24\textsuperscript{th} it bombed the construction site leading to the suspension of work. But Iran insisted on the continuation of the work despite the war and bombings. The war generated a heated debate on the successful completion of the project as Iraqi bombing was continuing. Mitsui, whose investment was at stake preferred to withdraw from the project. But the Japanese government persuaded the company to stay on by extending loans. Mitsui began to consider the project as a misadventure and lost its interest. It wanted to withdraw from the project to escape from the loss.

\textsuperscript{12} Japan in the Contemporary Middle East, p 91.
\textsuperscript{13} 'Iran Eyes Talks on oil deals', The Japan Times – 5 December 1979.
But the Basic Agreement which stipulated that no party could withdraw from the project unilaterally, stood in the way. Iran wanted the project to continue to show that Iraq's attack had not affected its economy and that interest of the foreign investors was intact. Luckily for Japan, the initial success of Iraq over Iran did not last for long due to stiff counter offensive by Iran. Since Mitsui could not unilaterally withdraw from the project, it put a new demand that Iran should bear any additional financial obligations caused by the on-going war. In the summer of 1983 NPC and Mitsui signed a supplementary agreement, stipulating that any additional fund required would be raised by Iran and the Japanese side need not invest any more.\footnote{Yaseinobu Misato Iran Petro Chemical Project, p. 243.}

The additional agreement changed the status of Japan from an equal partnership to a contractor. Mitsui was then obliged to send the engineers back to the site despite the ongoing war, but the Iraqi bombing again forced the Japanese engineers to leave the Bandar Imam Khomeni (the new name for the Bandar Shah pur) site in the autumn of 1984. In April of 1985, the Iranian Majilis (parliament) unanimously rejected the ratification of the supplementary agreement\footnote{Nihon Keizai Shimbun. April 12, 1985.}. This decision by Iran undermined the legal sanction of the resumption of the project.
Meanwhile, the intense Iraqi bombing of the petro-chemical complex, made the resumption of the work very difficult.

Eventhough the Iran-Iraq war came to an end in 1988, the problems set in by the 8 year-long war and the U.S. economic boycott created a serious crisis in Iran. The death of the Iranian spiritual leader and political guide, Al-Khomeni added an element of political instability. The new political leadership initiated a number of economic reforms and policies to strengthen their base and enable them to meet the challenges posed by the moderate and the radicals. As a part of the policy of minimum role for foreign investors in the petro-chemical industries, Iran agreed to free Japanese company from its obligation to work for the Petro-chemical project. Iran demanded 300 billion yen from Mitsui as compensation for releasing it from the Basic Agreement. After prolonged negotiations, it was settled for 130 billion yen. Mitsui also extended $ 0.5 billion worth of credit to Iran. It also agreed to purchase $ 0.15 billion worth of oil product from Iran. This agreement known as, The Friendly Seperation Agreement, freed Japan from the partnership of the petro-chemical project, in October 1989.\(^\text{16}\)

Hence, Japan's ambitious plan for getting into the petro-chemical industries of Iran and thereby ensuring Iranian oil to Japan did not

\(^{16}\) Ibid, October 12, 1989.
succeed. However, the unsuccessful end of the joint venture did not lead to any friction between the two countries. In fact, President Rafsanjani took personal care to clear Japan from the project. Japan's friendship and co-operation was necessary for his country as the United States was at odds with Iran. Since the European countries were pre-occupied with several far reaching developments in Eastern Europe and the Soviet Union was caught in its own domestic problems, no other industrialized country except Japan was in a position to invest in Iran on a large-scale. On February 8, 1990, both the NPC and Mitsui announced the completion of the process of friendly separation. Thus, the two decade long, Japanese – Iranian joint venture came to a formal end. The IJPC, started as a monument of Japan-Iranian friendship and the Japanese commitment to modernize Iranian oil industry then stood as the symbol of Iran's misfortune and Mitsui's misadventure.

Although Japan's relations with Iran during the Shah period and in the post-Revolution period were mainly economic with a focus on the oil sector, two incidents drew Japan away from this traditional economic relations. The First one was the U.S. Embassy hostage crisis and the Iranian Revolution itself. The Second was the Iran-Iraq War. On both occasions, Japan was in an awkward position as its support to one party was bound to produce adverse impact on its relations with the other.
5.3 The U.S. Embassy Hostage Crisis

The hostage crisis occurred at a time when Japan was trying to adjust with the new Iranian leadership. Japan was not only moving towards a harmonious relationship with the Revolutionary leaders to safeguard its oil and investment interests, but it was also trying to fill-up the economic gap being created by the American withdrawal from Iran after the fall of the Shah. But the Embassy hostage crisis and the U.S. measures to deal with the new leadership put Japan in a quandary. Neither Japan was in a position to whole-heartedly support the U.S. retaliatory measures against Iran nor could it antagonize the new Iranian Government. On the one side Japan was bound to protect the U.S. interests as an ally. On the other, Japan wanted a strong friendship and bond with the new Iranian leadership to safeguard the continuity of its ambitious and high cost petro-chemical projects. It was also necessary for the extension of its economic activities in the areas from where the U.S. had withdrawn. The Foreign Ministry officials believed that their success hinged on the ability to avoid offending either Washington or Tehran over the hostage crisis. But this approach put Japan’s Middle East policy in a contradictory posture. This was evident in the words of Masuo Takashima, former Vice Minister of Foreign Affairs. He told in an interview with Michael Yoshitsu, “I feel some contradictions about our
policy towards Iran. On the one hand, we must maintain our strong ties to the U.S. but on the other, we must protect Japan's interest in the Middle East..., it is difficult to do both.”¹⁷

The United States under the Carter Administration took the hostage crisis which began on 4 November 1979 very seriously. For the Americans, it was not only the question of the detention of their citizens but also a political and economic setback for them as they lost one of their strongest supporters in the region. If this trend was not checked, it could be the beginning of the decline of their political and military supremacy. Hence, the U.S. wanted to react strongly to the hostage crisis. As a retaliatory measure, on 14 November, the United States resorted to economic sanctions against Iran, including the freezing of all Iranian assets under its jurisdiction. Being an ally of the U.S. Japan was left with no alternative but to support the U.S. sanctions. But Japan was very cautious in dealing with Tehran because of the crucial imports of oil from Iran. It did not jump into the U.S. bandwagon to isolate Iran by trade embargo. Japan, stood with the European countries, which were advising the United States not to organize sanctions against Iran¹⁸. Eventhough Japan did not follow fully the U.S. request for applying

economic sanctions, it had to suffer some loss in its projects and business in Iran. For example, the Honda Motor Co, which had tied up with the Sherkat Bazargani Tizro, had to suspend its operation. The Yamaha Motors Company which had a small share of 4% in Dotcharkheh-va-Motorcyclette Sazi Iran (DMI) had to recall its personnel from Iran. Surprisingly, Japan not only managed to reduce the loss to the minimum, but it made use of the time to increase the profit of many Japanese companies in Iran as a number of American companies were not in operation. The Nippon Sheet Glass Company and the Toshiba Corporation who were engaged in sale of household electrical items were prominent among them.

However, Japan's concern became more intense as the U.S. oil majors restricted their supply due to the U.S ban of oil trade with Iran. Japan tried to overcome the ban by making spot purchases from where the Iranian oil was sold. The Japanese action irritated the Untied States as the hostage crisis was still going on. Until the hostage crisis, Japan was importing 620,000 barrels of oil a day from Iran. 460,000 barrels of this was coming from Iran through direct dealing and 160,000 barrels

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through U.S oil majors\textsuperscript{21}. It is true that later Japan bowed to the U.S. pressure and agreed to cut Iranian oil intake\textsuperscript{22}. This decision was taken only after an anti-Japanese furore erupted in the U.S, and after the Secretary of State, Cyrus Vance expressed the U.S. anger, when he met the Japanese Foreign Minister Saburo Okita in Paris on December 10. He criticized Japan for allowing its firms to purchase large quantities of Petroleum products at inflated prices and charged that Japanese leaders had helped Iran circumvent the assets freezing imposed by the U.S on November 14\textsuperscript{23}

As the hostage crisis continued, the U.S. once again imposed some more sanctions against Iran in April 1980. As an ally, Japan also took some measures against Iran in January 1981. However, when the hostage crisis was finally solved, Japan immediately withdrew the sanctions against Iran.

\textbf{5.4 Japan and the Iranian Revolution}

During the hostage crisis Japan was using its diplomacy in such a way that sought to please both Iran and the United States. It did not

\textsuperscript{21} Ibid.

\textsuperscript{22} 'Japan agrees to cut Iranian oil intake'. AAP- Reuter report, \textit{Canberra Times}, 15 December 1979.

\textsuperscript{23} Ibid.
want to antagonize either its ally, the U.S or jeopardize its oil interests, Japan encountered a similar situation in the case of the Iranian Revolution too. When the tension eased after the release of the U.S. embassy staff, the control of religious leaders over the Iranian government increased. The new Iranian leadership under its spiritual leader Ayottullah Khomeni, adopted a new set of rules and practices for governance and its relations with the outside world. Its anti-America plank created embarrassing moments for Japan in its relations with both Iran and the United States. It was also posing a rift in the Arab world. One group led by Saudi Arabia opposed the 'Iranian Revolution' fearing that the revolution might spread to other Kingdoms and Sheikdoms and challenge their position. The other group led by Libya and Syria supported the revolution on the plea that it might revive the Islamic spirit and could help the Muslim and Arab unity. They also supported the Iranian action against the U.S. This was opposed by Saudi Arabia. Obviously, Israel also feared that the new Iranian government would extend its help to the radical Palestine groups and strengthen the Palestine resistance movement. Iran, under the rule of the Shah, had maintained a distance from the Arab-Israeli conflicts. Now under the new leadership it might join with the hardline states and other anti-Israeli

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24 Yamani Quits Arab Oil Meeting' (when Libya and Syria supported Iranain action on the US). Japan Times, 5 December 1979.
forces as Iran had already declared itself as an anti-U.S. country. In that context, the whole political and military equation might be disturbed and turned against the Jewish state. Hence Japan had to move very cautiously with the new Iranian regime. On the one hand, Japan had to take necessary measures to safeguard its economic interests, involving huge capital investment in the petro-chemicals sector. Japan, feared that any action against Iran by Japan would also affect its oil interests. On the other hand, any action supporting or pleasing Iran would offend not only the U.S. but also Saudi Arabia and other anti-Iranian governments in the Middle East. Since these countries, particularly Saudi Arabia, Kuwait etc, were the other major oil suppliers to Japan, it was not considered wise to antagonize them.

5.5 Iran-Iraq War

However, Japan escaped from this predicament for the time being when the Iran-Iraq war broke out in September 1980. The conflict between the two countries temporarily stopped Iran's plan for exporting its religious backed revolution to other Arab countries. Initially, the war went in favour of Iraq as Iran was under a political transition and was militarily unprepared. Being an Arab brother country many Arab countries supported Iraq, financially and militarily. The real reason for this support was that many traditional rulers of the Arab world feared
that the new Iran under the leadership of Ayotullah Khomeni would pose a threat to their political base. They naturally wanted to see Iran as a defeated and weak country. Above all, the hostage crisis, the anti-American attitude of the new Iranian leadership and their effort to export 'Iranian revolution' to other Arab countries to undermine the authority of the pro-U.S. rulers and their attempt to radicalize the Palestine issue etc, made Iran a bitter enemy of the United States. The Americans also wanted to punish Iran somehow.

In the initial phase of the Iran-Iraq war, Japan was a major sufferer. Within 2 days of the war, on 24 September, the Iran – Mitsui petro-chemical project was hit by Iraqi bombing and Japan had to halt its work. But Japan, once again, was not in a position to take a stand on the war though its economic interests were under attack. Like Iran, Iraq was also one of the oil exporters to Japan and was a leading Arab country, supported by other oil producing countries like Saudi Arabia and Kuwait. Moreover, the U.S. was backing Iraq militarily against Iran, though indirectly.

The war continued and affected Japan's economic interests both in Iran and Iraq. Tokyo feared that as Afghanistan was already under the occupation of the Soviet Union, the intervention of the Soviet in favour of Iran, might escalate the war with dangerous consequences including
stoppage of oil production. Hence, Japan appealed to the U.S. and the U.S.S.R. for non-intervention\textsuperscript{25}. At the same time, Japan supported the mediatory efforts rendered by the U.N, the Islamic countries and the Non-aligned countries. It also called upon Iran and Iraq for an early and peaceful settlement of the dispute\textsuperscript{26}.

The Iran – Iraq war continued unabated despite the mediatory efforts by the UN and the Islamic countries. Iran recaptured the Khorramshahr in May 1982. This eased the Iraqi threat on Iran’s oil fields about which Japan was most concerned. When the conflict saw no end and again started affecting the oil sector, Japan intensified its peace efforts. According to the Foreign Ministry, it placed “even greater importance upon political issues in its foreign policy towards Middle East ..... by exploring a possible role in 1983 in creating a climate conducive to an early settlement of the Iran – Iraq conflict....”\textsuperscript{27} Japan adopted a positive diplomacy establishing channels of political dialogue with Iran and Iraq. Japan invited Iranian Deputy Foreign Minister, Ardebilli to Tokyo and a Japan – Iran high level dialogue was held in June 1983. Besides its economic relations, Japan emphasized the need for an early end to the Iran-Iraq conflict. Japanese Foreign Minister Shintaro Abe

\textsuperscript{25} Diplomatic Blue Book- 1981, p. 54.
\textsuperscript{26} Ibid.
\textsuperscript{27} Diplomatic Blue Book 1984, p. 64.
visited Iran and Iraq on 7-9 August 1983. He urged the leaders of both the countries to work for an early and peaceful solution to the war and the importance of halting its escalation. It was a serious effort to establish close contacts with both the leaders of Iran and Iraq with a view to preventing a further escalation of the war and create an atmosphere for peaceful solution to the issues. "As Katakurs put it, "although his diplomatic overture did not bring about any immediate outcome, it was an unprecedented point of departure from Japan’s traditional, inconspicuous performance behind the super powers’ skirts"28.

Japan continued its peace effort by activating the diplomatic front with high level visits to both Iran and Iraq. In September 1983 Shintaro Abe once again met the Foreign Ministers of both Iran and Iraq separately on the occasion of the UN General Assembly meeting in New York. In the same month Abe’s advisor Taro Nakayama visited Iraq and Iranian Environmental Minister Taheri visited Japan. On both occasions, Japan advised the two countries to observe self-restraint.

In October, Iraq warned Japan on the possibility of its military attack on Iran-Japan Petro Chemical (IJPC) complex to weaken the

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28 Kunio Katakura & Motoko Katakura - Japan and the Middle East. (Chapt VI. Towards a more positive role). The Middle East Institute of Japan, Tokyo - 1991 - p. 98.
economic source of Iran. Japan immediately rushed its Deputy Foreign Minister, Nakajima to Baghdad, to reconsider its threat. Japan also invited Iraqi Trade Minister to Tokyo for the Japan – Iraq joint committee meeting. Though it was a routine trade meeting, Japan used this occasion to preempt threats to IJPC, but also to work for the prevention of the escalation of the conflict. Foreign Minister Shintaro Abe took special interest in securing a way out to settle the dispute, with the help of the UN Secretary General Javier Perez de Cullar. He declared that “in consultation with the Secretary General and all other countries which seek peace in the region, I intended to continue making every possible effort to create a climate conducive to peace”.

In 1984, Iran intensified its ground offensive and this was followed by Iraq attacks on Iran’s ships. When the frequency of attacks on the oil tankers increased Japan called upon both Iran and Iraq to guarantee the safety of navigation in the Gulf. As it was worried about the oil supply, Japan intensified its diplomatic efforts. As a result, Iraqi Foreign Minister, Tariq Aziz visited Japan at the end of March to early April 1985. In July, the speaker of the Iranian Majilis (Parliament) Akbar Hashemi Rafsanjani also visited Japan. Since both Tariq Aziz and Rafsanjani were senior leaders of the respective governments, their visits

indicated the growing influence of Japan. Even though Japan’s efforts to bring a peaceful settlement of the dispute did not succeed, both parties appreciated Japan’s interest in the Middle East. But the tanker war continued and intensified after 1986. Since this war affected the flow of oil through the Straits of Hormuz, the United States and the EEC countries took some preventive steps by dispatching their escort fleets and mine-sweepers to the Persian gulf. The tanker war also affected Japan as more than 50% of its oil imports from the Gulf region was through the Strait of Hormuz. In January 1987, a Japanese flagged ship was attacked. However, Japan continued its diplomatic efforts to persuade both Iran and Iraq to end the war. Prime Minister, Nakasone, when he met with the visiting Iranian Deputy Foreign Minister, Hussein Sheikholeslam on May 21, called for an early truce in the war31. Foreign Minister Tadashi Kuranari visited Iran on 14 June with a mission aimed at seeking a way to end the Iran-Iraq war and particularly to request Iran’s commitment to free passage of ships in the Persian gulf32.

The war and the attacks on ships came up for discussion on July 7, in a meeting of the Japanese cabinet ministers concerned with security. According to the Chief Cabinet Secretary, Masaharu Gotoda, the ministers “agreed that Japan should take part positively in

consultations as a non-permanent member of the UN Security council for adoption of a new Resolution calling for the end of the war”. He also said Japan should offer to assist in the reconstruction of Iran and Iraq after the war33. Kuranari also visited Iraqi President Saddam Hussain and Foreign Minister Tariq Aziz and held talks with them on September 19, on the Gulf War and the UN effort to bring peace to the regime34. On September 30 two Japanese manned ships were attacked in the Gulf waters. (Japanese registered Nichiharu maru and the Liberian registered Western City but charted by Japan)35. But Japan was in a difficult position as it was barred by its own constitutional provisions from sending its self-defence forces outside its borders. Japan’s western allies criticized the Japanese stand and pointed out that being most heavily dependent on Middle East oil, Tokyo should not be excused from sharing due burden for guarding the safety of navigation. While expressing concern at the increasing incidents of attack on Japanese ships, Prime Minister Nakasone at a Press conference in Tokyo on September 30 said, “given that Japan relies on the Gulf for about 55% of its imported oil it is natural for Japan to contribute in some way to the safe shipping of oil”36.

35 FBIS, October 1, 1987.
Later on October 2, Japan protested to Iran on ship attacks\textsuperscript{37}. Later Japan came up with a scheme to ensure safe passage of shipping in the Persian Gulf. On October 7, the Japanese government decided to offer the scheme to the GCC. This included a high precision guidance apparatus, known as Hyperfix', a non-military item, which was to be established in various spots in the GCC countries\textsuperscript{38}.

Japan pledged $ 10 million to the U.N Secretary General Javier Perez de Cuellar, for use in his peace mission bring to end to the Iran-Iraq war\textsuperscript{39}. Japan's role as a mediator was acknowledged by the Gulf countries, when the Ambassados for the GCC nations called on Foreign Minister, Tadashi Kuranari on October 14, to put pressure on Iran to accept the UN Security Council Resolution of July 20, 1987 calling for an immediate cease fire to end the Iran–Iraq war\textsuperscript{40}.

Iran refused to hear the request for cease-fire saying that "Japan must not keep on looking" but take a definite stand on the Gulf war keeping in mind that Iraq started the war\textsuperscript{41}. When the Iranian Foreign Minister Ali Akbar Velayati visited Japan in November Foreign Minister

\textsuperscript{37} FBIS, October 2, 1987.  
\textsuperscript{38} FBIS, October 7, 1987.  
\textsuperscript{39} FBIS, October 7, 1987.  
\textsuperscript{40} FBIS, October 14, 1987.  
Sosuke Uno strongly urged Iran to accept the Security Council Resolution 598, as Iraq had already accepted the Resolution. Japan also put pressure on Iraq to reach a settlement when its Foreign under secretary Zahawie visited Japan in February 1988.

When Iraq attacked Iranian cities on February 27, and Iran asked Tokyo to condemn Iraq for its renewed “war of cities”\(^{42}\). Japan however continued its peace efforts with both countries and supported the UN efforts. It brought a truce in the ‘war of cities’. On May 6, Foreign Minister Sosuku Uno said ‘that Japan would continue to positively support mediation by UN Secretary General to bring about a cease fire between Iran and Iraq\(^{43}\).

Besides its direct contact with the warring parties, being a non-permanent member of the Security Council, Japan also promoted international co-operation initiative to bring an end to the Iran–Iraq conflict. As a part of its ‘creative diplomacy’, Japan supported the UN Secretary General’s “shuttle diplomacy” aimed at reducing tension in the Middle East including a settlement of the Iran–Iraq conflict. On July 19 Iran accepted the cease fire and the war came to an end on August 20, as per the July 1987 UN Security Council Resolution 598 calling for an

immediate cease fire. Soon Deputy Foreign Minister Takakazu Kuriyama left for Iran, Iraq and the US on August 5 to discuss the cease fire and reconstruction of the region. On September 20 Foreign Minister Sosuke Uno, also promised that Japan could make every effort to assist the post war re-construction of Iran and Iraq. Iranian Deputy Foreign Minister Mohammad Hasseyn Lavasini then visited Japan on October 20 to discuss including the dead lock in the truce negotiation. Japan also dispatched one Foreign Ministry political officer to the UN Iran-Iraqi Military Observer Group, to monitor the cease-fire. Since the eight-year old war had made severe damage to the economies of both countries, they were naturally expecting Japanese aid for their reconstruction. Japan with its ODA diplomacy, was expecting better contact with these countries in the years to come but the Iraqi invasion of Kuwait in August 1990 once again brought the region into a new political and strategic situation.

During the Gulf crisis, Iran tried to keep equal distance from both Iraq and the U.S. It opposed the Iraqi invasion of Kuwait, but it did not support the U.S. action in punishing Iraq through military means. Iran feared that such an invasion would increase the US military presence in

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47 FBIS, October 20, 1988.
the region, which was against Iran's interest. The U.S-Iran friction escalated even after the crisis. The United States wanted the embargo on Iran to be continued. It asked its allies to support its aid embargo. But Japan refused to go along with the U.S. call\(^{48}\). While the U.S. considered Iran as a regional and global threat, particularly to its hegemony over Middle East, Japan saw Iran as one of its old friends worthy of cultivating at least for the sake of oil. According to Japanese Foreign Minister, Michio Watanabe "we cannot agree 100 percent with the United States because our ties (with Iran) go a long way back and are different from Iran-U.S relations"\(^{49}\). For Japan, Iran's massive effort to build its economy was providing various business opportunities. Its oil, of course, was indispensable for Japan.

However, the U.S argued that it wanted the trade restrictions against Iran to continue as trade was contributing to Iran's military might. But Japan refused to heed the US advice. Instead, Japan decided to renew foreign aid to Iran after a gap of 17 years, lending roughly $ 300 million to help finance a new hydro electric plant\(^{50}\). The government also restored trade insurance to companies dealing with Iran. The Japanese stand was that it was important to promote economic co-operation with


\(^{49}\) Ibid, p. 3.

\(^{50}\) Ibid, p.3.
Iran because of its political influence in the Middle East. In the case of Iran, Japan did not want to link the security issue with its trade or aid. “Economic co-operation (with Iran) and the security question are not directly related”\(^{51}\), according to Toshio Kunikato, Director of Economic Security at the Ministry of Foreign Affairs.

**4.7 Japan and Israel-a Peculiar Friendship**

Japan’s relations with Israel stand on an entirely different level than its relations with other Middle East countries. Unlike the Arab countries, Israel is an industrially developed democratic country of the Asian continent. Japan had not been a party to any anti-Jewish atrocities. The Japanese and the Jewish people have “for a long time shared many cultural traits, such as higher education, a national religion, a drive to succeed. In a world of constant change they have adapted themselves quickly to modern standards, without losing their national identities and peculiar languages and scripts”\(^{52}\). Israel was the first country which Japan recognised in the Middle East region after it regained its independence in early 1952. The relations, which were formalized with the establishment of an Israeli legation in Tokyo, in December 1952, however, remained on a very low key. It took more than

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\(^{51}\) Japan Times, December, 9, 1992.

10 years to upgrade the Legation to the Embassy level. But relations were not passive or cool like Japan’s relations with Israel’s Arab neighbours, even though it did not recognize Israel’s claim over Jerusalem. Japan’s soft attitude towards Israel was mainly due to its adherence to the U.S policy in the region. It was true that Japan did not have any major trade relations with Israel or Israel was not in a position to help Japan in its energy needs. But Tokyo realised that as long as the Japan-U.S special relationship lasted, it had to keep good relations with Israel, because, the Jewish influence over the U.S. Administrations and the areas of business to which Japan was closely connected, was immense. Hence Japan adopted a policy which helped the survival of Israel in the Middle East against stiff opposition from the Palestinians and many Arab countries. But Japan’s dependence on the Arab Oil, the Palestine factor, the Arab-Israeli conflicts etc. quiet often obstructed the flow of their relationship after the 1967 Arab-Israeli war. On many occasions, the special relationships which the US maintained with both Israel and Japan were the connecting link between the two particularly after the Oil Crisis of 1973. Since the Arab oil became indispensable for Japan, this American factor worked as a balancer in Japan’s Arab-Israeli relations.
Until the 1967 Arab-Israeli conflict, Japan's policy towards Israel had been an extension of the U.S. policies in the Middle East and was generally tied up with Washington's cold-war politics. Japan conveniently ignored the Palestine issue in line with the U.S. policies in the Middle East. It also kept away from the contentious Arab-Israeli conflicts. Japan's interest in the region was to get cheap oil from the Arab countries and it was ensured by the Western oil companies. Hence there was no need to think of the adverse impact on its relations with the Israelis.

But the 1967 June War dramatically changed the strategic position of the Middle East region. Consequently, the face of the Middle East politics and its economic position also underwent a lot of changes. In the War, Israel occupied more Arab territories and refused to vacate them despite the U.N. Security Council Resolution 242, calling for Israel's withdrawal from the occupied territories. Since then, Israel's position in the international community had become controversial and it was considered as an expansionist State. Many Afro-Asian countries began to distance themselves from Israel and its Zionist policies. Although Japan was bound to support Israel as desired by the U.S., its growing economic status in the international scene gradually forced Japan to desist from blindly supporting Israel's anti-Arab policies.
However, Japan was keeping silent on the implementation of the Security Council Resolution calling for the Israeli withdrawal from the Arab occupied territories in 1967. Israel linked the withdrawal from the Arab territories with its existence as an independent state in the Middle East as the Palestine Liberation Organization opposed the existence of Israel in its present form. According to the PLO’s 10-point Political programme it “struggles against any plan for a Palestinian entity whose prize is recognition of Israel”\(^53\). The U.S. and some West European countries were extending their support to Israel in this case as its existence as an independent country was necessary for their interests in the region.

Meanwhile, Israel’s continued occupation of Arab territories created a lot of tension in the region and the sympathy for the Palestinian people was growing. Besides, the growing clout of the oil producing countries of the region and their attempt to control the influence of the oil majors in the oil production and supply caused considerable concern for Japan. A new awareness that Japan’s approach to the region should be more balanced grew stronger among the Japanese leaders. After the 1967 War, there was increasing pressure on Japan not to adopt blindly the U.S. guided pro-Israel policy in the Middle East. Hence, after 1967,

"in its official announcement and speeches the Japanese government strove to maintain a certain neutrality, declaring its support for a peaceful solution mediated through UN auspices\textsuperscript{54}. Yet Japan needed to strengthen its relations with the U.S due to a variety of issues such as the revision of Okinawa, relations with China, withdrawal of the US from South East Asia after the Vietnam war, and so on. Thus the need for Japan to support the Pro-Israeli U.S Policies was still quite strong. However, Japan modified its policy of an all out support to Israel and started cautiously viewing all issues concerning Israel and the Arab world. This approach in effect, amounted to indirectly supporting the U.S. policies in the region and Israel, but formally projecting a neutral position with concern for the Palestine refugee problem and Israel's right to exist as an independent State.

But the Oil Crisis in October 1973 forced Japan to abandon the balancing act as the Arab side viewed Japan's position as unfriendly. Its desperate need for the Arab oil finally prompted Japan to come out publicly to deplore Israel's continued occupation of the Arab territories and demanded its withdrawal from those territories\textsuperscript{55}. Even though this was done to please the Arabs and to escape from the oil cuts, its voltae-

\textsuperscript{55} See Appendix-D Nikkaido Statement.
face was in consonance with the Security Council Resolution. Its tone was, however, a real surprise to the U.S. and Israel. Japan also withstood the Arab pressure to sever diplomatic and economic relations with Israel.

With this background, the Japan-Israeli relations entered its post-crisis period. As stated earlier the November 22, statement of the Chief Cabinet Secretary Susumu Nikkaido, was an open expression of Japan's adherence to the U.N. Resolution. It was not a new demand or a new policy in favour of the Arabs as the UN Resolution was supported by Japan. But the statement was a clear departure from its earlier policy of silence on the status of the occupied territories. Israel sharply reacted to the Japanese statement and especially to its threat that "the Government of Japan will continue to observe the situation in the Middle East with grave concern and depending on future development, may have to reconsider its policy towards Israel". The Israeli Ambassador in Tokyo, Eyian Ronn in his meeting with the Japanese Vice-Foreign Minister Shinsaku Hogen, even demanded an explanation about the phrase "reconsideration of Japanese policy towards Israel", contained in the statement. Later, Israel formally accused Japan of yielding to Arab pressure, and stated that the Japanese action was against Tokyo's declared policy of neutrality and amounted to a renunciation of the

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doctrine underlying its previous policy of friendship to all. It cautioned that the new policy was not only going to affect the relations between the two countries but it also aroused grave concerns among large sections of the world. Even though Japan rejected the Arab demand for breaking off diplomatic and economic relations with TelAviv the Israeli reaction showed that the Japanese statement created strains in the relations between the two. As cautioned by Israel, it also aroused the wrath of the Jewish community, and threatened a Jewish boycott of Japanese goods in the United States and elsewhere.

Since then the Japan-Israeli relations had remained on a low-key with less official interaction and trade. However, the U.S. hold over the Japan's Middle East Policy continued to play a crucial role in deciding its stand over a number of issues concerning Israel. One could cite examples like the observer status for the PLO in the U.N, and the Palestinian right for a home land. After the Rabbat Summit Conference of 26-29 October 1974, recognising the PLO as the "sole and legitimate representative of the Palestine people", the Arab countries moved two Resolutions in the 29th Session of the U.N. Assembly concerning Palestine. The first one supported "the inalienable rights of the Palestinians to return to their homes and property from which they have

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58 Financial Times, November 26, 1973
59 Reference is given in Chapter II.
been displaced and uprooted" and the second one was a proposal for a permanent observer status for the PLO in the UN General Assembly, and other International Conference sponsored by the U.N. Obviously both the resolutions were against the interest of the U.S. and Israel, because PLO stood for "the liberation of Palestine through the armed struggle" by liquidating the "Zionist presence in Palestine" as its main goal. Initially Japan did not see any problem in supporting the resolution as it had already recognised the Palestine right in its new Middle East Policy and considered the PLO as the representative of the Palestine people. But the United States prevailed upon Japan not to weaken the position of Israel in the Middle East by supporting the Resolutions. Japan then abstained from voting in the U.N. General Assembly at the last moment. Japan justified its action by saying that it wanted to keep a balance between Israel and the Arab world. According to Toshio Kimura, the then Foreign Minister, the first resolution was devoid of any reference to the right of Israel to exist. The Ministry officials further justified their action by saying that "we always abstain if a resolution does not give sufficient regard to the position of Israel or is (otherwise) one sided". Regarding the second Resolution, the Japanese complaint was that the Arab

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61 The Palestine National chapter (Revised) Article 15. (Source: Bansidhar Pradhan, p. 364-366).
countries introduced it in a way that would treat the PLO as a country, instead of some non-governmental organisation. Therefore, an affirmative vote from Japan would have meant diplomatic recognition to the PLO. However, this abstention did not help to improve the Japanese-Israel relations much, because Japan was not in a position to dismiss the PLO as a non-entity. Since the Japanese voting behaviour had created serious doubts in the Arab mind about the sincerity of the new Japanese Middle East policy, as a damage control act, it had to deal with the PLO bilaterally.

Meanwhile, the information flow about the Middle East since the oil crisis had begun to influence the Japanese public opinion in favour of the Arabs. The Japanese public viewed that as the continued occupation of Arab territories by Israel was the main cause for the 1973 War and the Oil Crisis, Israel was indirectly responsible for their economic hardships. The plight of the "homeless" Palestinian people also created a feeling among many Japanese that Israel was the stumbling block in arriving at a peaceful settlement. They began to see more justification in the Arab stand on the issue. As a result, against the U.S desire Japan abstained

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63 Ibid.
from the UN Resolution defining Zionism as a form of “racism”. The U.S. and its western allies opposed the Resolution\textsuperscript{64}.

While this domestic opinion was discouraging more friendly relations with Israel, Tokeo Miki became the Prime Minister of Japan on 9 December 1974, Miki, who was instrumental in bringing Japan and the Arab world closer after the Oil Crisis, advocated a pro-Arab policy and emphasised the need to bring the PLO in the peace process. According to him, lasting peace in the Middle East was not only necessary for peace and security in the region but also equally important for Japan’s political and economic interest. This view helped PLO to open an office in Tokyo on February 9, 1976.

For the Israelis the Miki Government’s decision to permit the PLO to establish its office in Tokyo amounted to the recognition of PLO and was an anti-Jewish act, as the PLO stood for liquidating the State of Israel. This development seriously affected the relations between Japan and Israel. Expectedly, Israel tried to obstruct the opening of the PLO office in Tokyo directly and indirectly through the U.S. But Miki did not yield to Israeli-U.S. pressure. For Japan, the PLO office in Tokyo would open a channel of direct contact with the Palestine people and contribute to Middle East peace process. This, in turn, would strengthen the

\textsuperscript{64} Kurt W. Radtke, pp. 530-31.
Japanese position in the Middle East region. But Japan took necessary care to safeguard Israeli interest by not according any official status to the office and demanding the denouncement of terrorist activities by PLO, mutual recognition between PLO and Israel and Israel's right to exist within the recognised territories\textsuperscript{65}.

The growing acceptance of the PLO by influential world nations, forced Israel to forge some sort of bilateral agreement with individual Arab countries to isolate the PLO and weaken the collective efforts of the Arab countries to challenge Israel. The strategy, blessed and aided by the United States finally succeeded in signing the Camp David Agreement between Israel and Egypt on 17 September, 1978 with the U.S. as the chief mediator and signatory. The Camp David Agreement was a great diplomatic victory for Israel and the United States in their attempt to sideline the PLO from the Palestine issue. The Carter Administration's success in persuading Sadat to come over to Camp David also divided the Arab world\textsuperscript{66}. The agreement was opposed by many Arab States and the PLO, but Japan regarded it as a beginning of the peace process. Japan hoped that if all the parties understood their respective positions and ground realities, a peaceful solution was possible. The Israeli

\textsuperscript{65} Discussed in Chapter III- part on Political Relations.

\textsuperscript{66} Following the Camp David Agreement, diplomatic relations were established between Egypt and Israel in January 1980.
success in getting Egypt, one of the politically influential and key Arab countries, into the Agreement, helped Tel Aviv to change its image from one of a hard-liner to that of an accommodative one. While this offered an opportunity to Israel and Japan to improve their relations, developments in the Middle East once again put the relations in a sticky position.

The Iranian Revolution of 1979, the U.S. Embassy hostage crisis and later the Iran-Iraq War and the Second oil crisis, put the region in a turmoil. The fall of the pro-U.S. Shah of Iran weakened the U.S. position in the region. The West feared that the Revolution advocated by the new Iranian leader Ayotullah Khomeni would attract the Arab Youths and would create an anti-West atmosphere in the Middle East. The only way to arrest such a development was to work for a solution of the Middle East issues and thereby keep the Western presence in the region.

Japan felt that since Israel was an integral part of the Middle East issues, and no peaceful solution could be achieved without the involvement of Israel, a very cautious approach should be followed while dealing with Tel Aviv. But an open dealing with or support to Israel was not advisable as Israel was a target of the new Iranian leadership and other hard-line Arabs. Iran was one of the main sources of oil for Japan and was an important country for its direct investment and joint
ventures. Besides Iran, Tokyo was also apprehensive about Saudi Arabia. Saudi Arabia's commerce minister had threatened an Arab boycott of Japan's Toyota vehicles should Toyota enter into a joint venture with the Ford of the U.S. as the Ford produced cars in Israel. Saudi Arabia was Toyota's largest market after the U.S. Therefore, a pro-Israel approach would affect Japan's oil and other economic interests. Hence Japan gave more weightage to the Arab side and indirectly supported the PLO request for its chairman's visit to Tokyo. It had been "arranged by senior politicians with the government blessings." Arafat visited Japan as a guest of Parliamentarians League of Japan-Palestine Friendship on October 14, 1981. But Japan put a number of conditions which favoured Israel. Japan also took this opportunity, particularly to reduce its opposition to the existence of Israel. Although, Arafat's visit to Japan was not a good sign for Japan-Israeli relations, Israel became more realistic and tried to move closer to Japan. Israel feared that Arafat's visit would create more sympathy to the Palestinians and eventually it could influence Japan's Middle East Policy in favour of the Arabs. Such a scenario was unwelcome to Israel considering Japan's growing influence over the world nations. But luckily for Israel, the war between the two Muslim countries of the region

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67 Mitsui's Petrochemical project in Iran (JIPC).  
created a rift in the Arab world. Many PLO supporters turned against Iran for obvious reasons\textsuperscript{70}. Hence, the PLO was in a tight position. It lost the expected financial and moral help from the Iranian leadership, as it was unable to support Iran. It also suddenly diverted the world attention from the Palestinian issue to the Iran-Iraq war. Mercifully, the Iran-Iraq war did not seriously affect the oil trade or create another oil crisis as happened in 1973. Although the Iranian Revolution, the U.S. Embassy hostage crisis and then the Iran-Iraq war created some problems in the oil sector and a second oil crisis was in the offing, it did not affect Japan seriously as had happened in 1973. This time Japan was well prepared\textsuperscript{71}. In fact, the oil price registered a decline by the oil glut phenomenon. The rift in the OAPEC also reflected the weakness in the Arab unity\textsuperscript{72}. Thus in the early 1980s, the Arab world was in a weak position politically and financially\textsuperscript{73}.

Seeing this situation as a good opportunity to weaken the growing importance of the PLO, Israel bombed its headquarters in Lebanon on 17 July 1981, making heavy casualties\textsuperscript{74} and later in June 1982 through ‘the Galilee Operation’ Israel forced Arafat to shift its base to Tunis. But

\textsuperscript{70} Discussed earlier in this chapter- on Iran-Iraq war.
\textsuperscript{71} A Good Year for Japan despite oil crisis. \textit{The Hindustan Times} May 14, 1979.
\textsuperscript{72} Yamani Quits Arab oil meeting – \textit{The Japan Times} December 5, 1979.
\textsuperscript{73} Cracks in the Cartel (editorial) – \textit{The Hindustan Times}, August 14, 1981.
\textsuperscript{74} New York Times July 19, 1981.
the Israeli action invited wide protests from many countries. Further, coupled with the international condemnation of its action in Lebanon, Tel Aviv's dependence on the U.S. in the military, diplomatic and financial fields caused considerable embarrassment to the Israelis. They felt that Israel should not remain a 'protectorate' of the United States all the time. It had to live with the Arab neighbours. It needed better relations with as many countries as possible to ensure international acceptance. For this, the only way was to show some concessions towards the Arabs. Sensing the weakness of the PLO and its flexible attitude towards Israel, it moved further to the negotiating table shedding its rigid position. The change of attitude convinced Japan that Israel was more accommodative now and it should be helped. During this period, the U.S.-Japan relations were also turning sour due to trade friction. Japan also saw that the time was more opportune to strengthen its relationship with Israel as the Arab side was less hostile now. It also felt that moving towards Israel would not only help the Middle East peace process, but it would also reduce tension between Tokyo and Washington. The Government of Japan was increasingly concern that the country's pro-Arab bias might antagonise the powerful Jewish lobbies in the U.S which could

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75 It was reported that in July 1982 during a visit by a U.S. Congressional team led by Representative Paul N. Mc Closkey. Jr to the PLO headquarters, Arafat signed a paper which reflected the PLO's readiness to commit to co exist with Israel. International Herald Tribune (Paris) 27 July 1982.
exacerbate the anti-Japanese feelings deriving from the trade friction with the United States 76.

Japan sent one of its Foreign Ministry officials Nakajima Binjiro to Israel in June 1983 to discuss the bilateral relations. He met the Foreign Minister, Yitzhak Shamir. In February, 1984, Israel reciprocated by sending its Director General of the Foreign Ministry, David Kimchi to Japan. He visited the Japanese Foreign Minister Shintaro Abe. Followed by this mutual visits, a Japanese Parliamentarian Group for Friendship between Japan and Israel was formed in late February 1984 77. At the beginning, the Group consisted of 50 members belonging to both the ruling Liberal Democratic Party (LDF) and the opposition parties (DSP, the new Liberal Club (NLC) JSP) and the Social Democratic League. It was headed by the Kasuga Ikko of the DSP with Nakayama Masaki of the LDP as its Secretary General. Later in May 1984, a League of Israeli Members of Parliament for the Promotion of Relations with Japan was formed. Although these groups had not much of a political role, they promoted a dialogue between the two countries. Then the Israeli Minister for Postal Affairs, Amnon Rubinstein made a visit to Japan. In April, 1985, the fourth President of Israel, Professor Emphraim Katzire

76 Akifumi Ikeda- Japan’s Relations with Israel in Sugihara and Allan, p. 164.
was conferred with the first Japanese Prize for Science and Technology. These reciprocal events indicated the slowly changing mood in Japanese-Israeli relations. This changing mood was reflected in the trade relations also. The Israeli Embassy personnel in Tokyo started participating in the meetings of the Israeli-Japan Chamber of Commerce. Till the early 80's the volume of trade between Japan and Israel was much smaller compared to Japan-Arab trade. In 1983 the volume of trade between Israel and Japan amounted to $455 million with $267 million of Japanese exports on $188 million of Japanese import from Israel. This represented only 0.17% of Japan's total trade in 1983 as against 9.3% with all the Arab countries. But it was larger than the trade with individual countries like Jordan, Syria, Turkey and Lebanon.

In 1983, trade with Japan was about 3.3% of Israel's total trade. But Japan's presence was very much noted in the Israeli market with Japanese cameras, watches, TVs, and other electronic products. Japanese cars were also available in Israel. Diamond was the main export commodity from Israel to Japan. It was a popular item in Japan and it constituted 23% of Japan's total diamond import. Besides diamond, fertilisers, chemicals, minerals, pesticides and textiles were also exported to Japan. But the threat of Arab boycott hampered the

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78 Kurt W. Radtke- p. 534.
Japan-Israel trade to some extent. Large Japanese companies with substantial markets in Arab countries refused to trade with Israel. No big Japanese companies had their branches in Israel. They sold their products through the European companies. Japanese popular brands of cars like Toyota, Datsun, Honda and Mazda were not easily available in Israel. Japan’s national carrier JAL did not have services with Israel. Neither Israel’s EL-AL was allowed to land in Japan. No Japanese shipping liner served Israeli’s Ports. However, the Arab factor did not seem to affect in the cultural sphere much. Japanese movies, art performances and exhibitions, were popular in Israel. Israel and Japan regularly exchanged students on scholarships. The biggest center of Japanese studies in the Middle East was in the Hebrew University.

The improved relations between Japan and Israel, started in the early 1980’s culminated in the visit of the Israeli Foreign Minister and Deputy Prime Minister Yitzhak Shamir to Japan in September 1985. For Israel, it was a breakthrough in its relations with Japan. During his visit he had talks with the Prime Minister, Yasuhiro Nakasone and Foreign Minister Abe Shintaro. He was given wide coverage by the Japanese media. Shamir also met the head of the Japanese industries and trade organisation – Keidanren. Recalling Japan’s meagre trade with Israel and its hesitancy in improving the trade relations, Shamir exhorted
Japan to make serious efforts to increase the volume of trade. He also cited the large volume of Israel's trade relations with the EEC countries, the United States and Canada to convince Japan of the need to increase its trade with Israel.\textsuperscript{79}

Shamir's visit was highly successful in strengthening the Japan-Israeli relations. But the visit was criticised as a means to "impress pro-Israeli elements in the U.S. Congress" rather than as an initiative to put relations with Israel on a new footing.\textsuperscript{80} Following Shamir's visit, Minister of Finance Yitzhak Mudai visited Japan in October 1985. Later, the minister without Portfolio Moshe Arens also visited Japan. Moshe Arens's visit was considered as a highly political visit as he sought the possibilities for cooperation with Japan on the development of a new Israeli War Plane, the Lavi. This offer created a controversy in the United States. Finally, however, the suggestions was dropped in favour of the purchase of new War planes from the U.S.\textsuperscript{81}

By these visits the relations between the two countries further improved and it was reflected in their economic relations. In 1986, the


\textsuperscript{80} News Week-September 9, 1985.

\textsuperscript{81} Kurt W. Radtke, p. 535.
trade between Japan and Israel increased by 50%\textsuperscript{82}. As mentioned earlier, the Israeli Embassy in Tokyo took particular interest in the trade relations by organizing Seminars on Israel Economy in various parts of Japan. The Israeli companies also started participating in more and more exhibitions in Japan aimed at promoting Israeli products and business relations\textsuperscript{83}.

Japan reciprocated the interest shown by Israel in improving the trade relations by exchanging trade missions. In October, 1987 a high level delegation of Israeli businessmen visited Japan. In November 1987 Japan sent a semi-official delegation headed by the President of the Keidanren, Hanemura Nichiharo. During 1986 Israel's bilateral trade with Japan increased to more than $600 million. Israeli export to Japan was $323 million with an import of $307 million, as against the 1985 figure of $210 million exports and $186 million imports\textsuperscript{84}.

The main reason for this sudden improvement in their trade relations should not be seen only in the improved political contacts and the weakness of the Arab side. It was also due to the relative reduction

\textsuperscript{82} Trade figures supplied by the Israel Embassy in Tokyo to Akifumi Ikeda.

\textsuperscript{83} "East Meets Mideast" Israel Economist, October 1986, p. 18.

\textsuperscript{84} Kurt W. Ratke-Japan Israeli Relations in the 80's. Asian Survey. Vol XXVIII. No.5 May, 88, p. 536.
of tension in the Middle East region and the increasing acceptance of Israel in the international field. Till the early 80's, Israel was an untouchable for many Afro-Asian countries. Even the industrialised countries like Japan were keeping a low level of business relations with Israel as the spectator of Arab boycott always haunted them. But the process made in the Middle East peace progress and the Arab countries’ willingness to accept the existence of Israel and the capability of its survival despite combined Arab threat gave it a great deal of credibility. The enhanced image of Israel and the progress in its relations with Japan, thus provided a golden opportunity to the Israeli businessmen. They felt that the time had come to expand their trade relations to the East Asian region. They viewed Japan as a stepping stone for entering China, which was offering a very huge consumer market. Israel was also in an advantageous position to enter the Japanese market, because, Israel was considered as a developing country as per the GATT norms and was under preferential tariffs.

The improvement in the Japan-Israeli relations, however, did not very much affect the political scene, mainly due to developments in the Gaza strip. After Yitzhak Shamir took over as Prime Minister of Israel in October 1986, the Israeli attitude toward the Palestine issue became more rigid and the peace prospects became bleak. Israel extended its
settlement activities in the Arab occupied territories. Shamir openly announced that he would proceed to consolidate "the Jewish presence in all parts of the Land (of Greater Israel); Jerusalem, Judea, Samaria and Gaza, the Galilee & the Sharon". Since then the Palestine uprising against the Israeli occupation authorities in the Gaza strip had intensified and finally led to the outbreak of the intifada (in Arabic Intifada means "to shake off") on 8 December 1987. The Israeli repressive measures against the Intifada, resulted in many Palestine casualties. It invited world wide attention and put again Palestine issue on the international agenda. The Israeli deportation of Palestine Youths was opposed by the UN Security Council and deplored by the international community including Japan. On January 18, 1988 the acting director general of the Foreign Ministry's West Asia and African affairs bureau, Takeshi Ohara summoned Israeli Ambassador to Japan, Yaacov Cohen to his ministry and urged Israel to exercise self-restraint in the Israeli occupied West Bank and Gaza strip. Japan also deplored the Israeli action of deporting four Palestinians from the occupied areas. On February 5, Deputy Foreign Minister Takazu Kuriyama told Cohen that Japan deplored the Israeli government's actions in the two regions despite the repeated condemnation of the UN Security council against

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86 Ibid.  
Israeli action\textsuperscript{88}. Considering the request of a group of Arab envoys to condemn the Israeli action in occupied West Bank and Gaza strip on April 14, Foreign Ministry spokesman Yoshifumi Matsuda, once again deplored the Israeli action\textsuperscript{89}.

The world reaction against Israel put Tel Aviv on the defensive and as usual, the U.S had to come for its support. The U.S started a peace plan known as Shultz Plan, named after the US Secretary of State, George Shultz. This led to a new phase in the PLO-US relationship. The Shultz diplomacy finally convinced the PLO of the need for the acceptance of the UN Resolutions 242 & 338 and the denunciation of terrorism. The intense diplomatic efforts by the US and other world countries also persuaded Israel to understand the need for a peace settlement with the Palestine. As part of this diplomatic efforts, in 1988, the Japanese Foreign Minister Sosuko Uno visited Israel. Though the visit was limited to twenty four hours and considerable part of that time was spent on meeting with Palestine representatives in the occupied territories, it was regarded as a symptom of the "changing wind"\textsuperscript{90}. In February, 1989, Israel President Chaim Herzog visited Japan to attend

\textsuperscript{88} Mainichi Daily News- February 6, 1988.

\textsuperscript{89} FBIS April 14, 1989. (The request was made during a press conference at the Foreign correspondence Club by the Turician Ambassador Mancef Jaafar, on 13 April).

\textsuperscript{90} Akifumi Ikeds – Japan's Relations with Israel, p. 163.
the funeral ceremony of the Japanese Emperor Showa. He was received by then Prime Minister Noboru Takeshita. It was an opportunity for Japan to express its willingness to mediate in the Middle East peace process, by telling that Japan was interested in extending its intermediary in the Iran-Iraq conflict to a larger part of the region. by mentioning the words 'a larger part of the region' Japan indicated it readiness to extend its mediatory role in the Arab-Israeli conflict.

Since then Japan-Israel relation had begun to return to normalcy. Japan on its part started playing a new role as a mediator. In 1989, Japanese Foreign Ministry extended and invitation to both the PLO Chairman, Yassar Arafat and the Israeli Prime Minister Moshe Arens to Japan in an effort to find out a peace solution, as expressed by Takeshita. This move benefited Japan to balance its relation with PLO and Israel, and opened up a new phase with the closing of the 1980’s.91

The 1990’s started with the Gulf Crisis in August 1990, once again put Israel in an advantageous position. Iraq’s misadventure in invading Kuwait, not only divided the Arab world, it helped the United States to increase its political and military presence in the Middle East. The Gulf War led by the U.S, and its success in freeing Kuwait, brought many Arab states under the U.S. influence. This indirectly led to easing of

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91 Discussed in Chapter III dealing with the PLO.
tension between the Israelis and Arabs and paved the way for a peace initiative. Israel's readiness for a peace settlement and the restraint it showed during the Gulf war despite Iraqi provocation\textsuperscript{92}, improved its image. During the Gulf Crisis, Israel pledged to co-operate closely with the US\textsuperscript{93}. It helped Israel even to get withdrawn a resolution criticizing Zionism as a form of racism, from the UN General Assembly in December 1991.

Israel's readiness for a negotiated settlement of the Arab-Israeli dispute particularly after the Labour party won the Israeli parliamentary elections in June 1992, helped Tokyo to move closer to Tel Aviv. Japan invited the Israeli Foreign Minister Shimon Peres to Japan, and he visited Japan in December, 1992. According to Japan this was “to extend the scope of favourable bilateral relation in the fields of political, economic, intellectual and cultural exchanges, with a view to contributing to the peace and stability of the region by enhancing the relations based on confidence with Israel”\textsuperscript{94}.

Peres was followed by a series of high level bilateral visits. Israeli Prime Minister Yitzhak Rabin visited Japan in December 1994. Japanese

\textsuperscript{92} 'Saddam warns of strike against Israel'- Japan Times September 24, 1990.

\textsuperscript{93} Kissings Contemporary Archives -Record of World Events-Vol, 37, January, 1991, p. 37939.

\textsuperscript{94} Diplomatic Blue Book, 1992, p. 310.

In short, the Japan-Israeli relations after the Oil Crisis of 1973 centered around the controversial Middle East relations and was closely linked to Japan's special relations with the United States. On the one hand, Japan had to keep a distance with Israel not to annoy the Arabs to safeguard its oil interest and growing economic relations. On the other hand, Japan always supported Israel whenever its right to exist as an independent State was questioned or challenged. In fact, Japan lost no chance in pleading with the PLO and the Arabs to concede this right to Israel. Although Japan was bound by the UN Resolution 242 and its November 22, 1973 Declaration to get the Israeli occupied Arab territories back to the Arabs, Tokyo did not press for it knowing that Israel need these territories for bargaining with the Arabs and get a guarantee from them to live together in peace.