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New Energy Fuels Japan's Diplomacy: From the Middle East to Central Asia

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TOKYO - The past week has seen an unprecedented flurry of top-level Japanese diplomacy aimed at ensuring the resource-poor nation's energy security through stable supplies of oil and other resources.

After traveling to the United States for talks with President George W. Bush, Prime Minister Abe Shinzo flew on to the oil-rich Middle East, where he visited Saudi Arabia, the United Arab Emirates, Kuwait, Qatar and Egypt to strengthen bilateral relations. The trips to the US and the Middle East were both his first since assuming office last September. Abe returned to Tokyo on Thursday.

Abe agreed with leaders of the five Middle East nations to strengthen bilateral relations with Japan on a wide range of areas, including politics, culture and environment as well as energy, trade and investment. At a business forum in Riyadh, Abe stressed his determination to build a "multi-layered" relationship between Japan and Saudi Arabia, going beyond the "oil-based" one.

Abe's visits to Saudi Arabia and Egypt were the first by a Japanese premier in four years. His visit to the UAE and Qatar were the first by a top Japanese leader in 29 years. His visit to Kuwait was the first ever by a Japanese prime minister.

Meanwhile, Economy, Trade and Industry Minister Amari Akiravisited Kazakhstan and Uzbekistan as well as Saudi Arabia in the past week. Kazakhstan and Uzbekistan are also rich in resources, including uranium. Amari's trips to the two Central Asian nations came six months after Abe's predecessor, Junichiro Koizumi, became the first Japanese prime minister to visit the region.

Japan imports almost all of its oil, and is the world's third-largest oil consumer after the US and China. Japan relies on the Middle East for nearly 90% of its oil. The six nations of the Gulf Cooperation Council (GCC) - Saudi Arabia, the UAE, Kuwait, Qatar, Oman and Bahrain - alone supply about 75% of Japan's oil.

Japanese-operated oil tanker Bright Artemis

What was particularly noteworthy about Abe's and Amari's journeys was the fact that they were both accompanied by huge delegations of business people. Abe was joined in his Middle East tour by a delegation of about 180 business leaders, led by Mitarai Fujio, chairman of the Japan Business Federation (Keidanren), the nation's most powerful business lobby. Mitarai is also Canon Inc chairman.

Unlike many other countries, Japan does not have a tradition of "top sales diplomacy". Abe became the first Japanese leader to be accompanied on an overseas trip by a delegation of business leaders last November when he visited Vietnam with some 130 corporate executives, including Mitarai.

Amari was also accompanied on his Central Asian tour by a 150-member government-private-sector delegation, including top-level executives of trading houses and energy-related firms. While Amari was in Kazakhstan, the two sides clinched numerous business deals that are expected to increase dramatically the Central Asian nation's uranium supplies to Japan.

Japan has recently revved up its diplomatic drive for oil, gas and other energy resources abroad in a bid to ensure national energy security amid stubbornly high oil prices and also in response to the increasingly intensifying global rush for oil, gas and other resources, led by China and India.

Chinese President Hu Jintao had already visited Saudi Arabia in April last year. Indian Prime Minister Manmohan Singh also invited Saudi Arabia's King Abdullah to Delhi in January last year, the first trip to India by a Saudi king in 51 years.

Japan has recently begun to place priority on concluding free-trade agreements (FTAs) with resource-rich countries as a foreign-policy tool to beef up relations with them and thereby ensure its energy security through stable, long-term supplies. Japan launched FTA negotiations with the GCC last September, but later than China and India did so.

South Korea also got a head start over Japan in implementing its top-level diplomacy toward the Middle East. President Roh Moo-hyun made a tour of three GCC member nations - Saudi Arabia, Kuwait and Qatar - in late March, accompanied by an economic delegation of about 200 people. During the tour, Roh said his country will open FTA negotiations with the GCC as early as this year. The GCC is a customs union whose member nations apply the same tariff rates in trade with third parties.

Toward a stronger partnership

In their talks with Abe, the GCC leaders pledged regular oil supplies to Japan. Saudi Arabia, for example, "expressed its intention to continue to assure stable oil supply to Japan", according to a joint statement issued after Abe's talks with Saudi leaders.

Qatar also "expressed its view that it would keep supplying oil and natural gas ... to Japan at an acceptable rate for both sides in a stable manner" and "both sides reaffirmed to develop the relations between the two countries in the field of production and transport of oil and LNG" (liquefied natural gas), according to a joint statement issued after Abe's talks with Qatari leaders.

Abe and leaders of Saudi Arabia, the UAE, Kuwait and Qatar agreed to seek a successful conclusion of FTA negotiations between Japan and the six-nation GCC at the earliest possible date. Japan and the GCC have so far held two rounds of FTA negotiations. Tokyo wants the proposed FTA to contain the GCC's pledge to ensure stable energy supplies to Japan.

In Riyadh, Abe proposed to King Abdullah to let Japan's largest oil supplier use part of the state-owned oil-storage tanks in the southernmost Japanese prefecture of Okinawa in exchange for a preferential right to purchase the oil reserves there in case of emergency. Abdullah agreed that Saudi Arabia will examine the plan through ministerial-level and working-level talks.

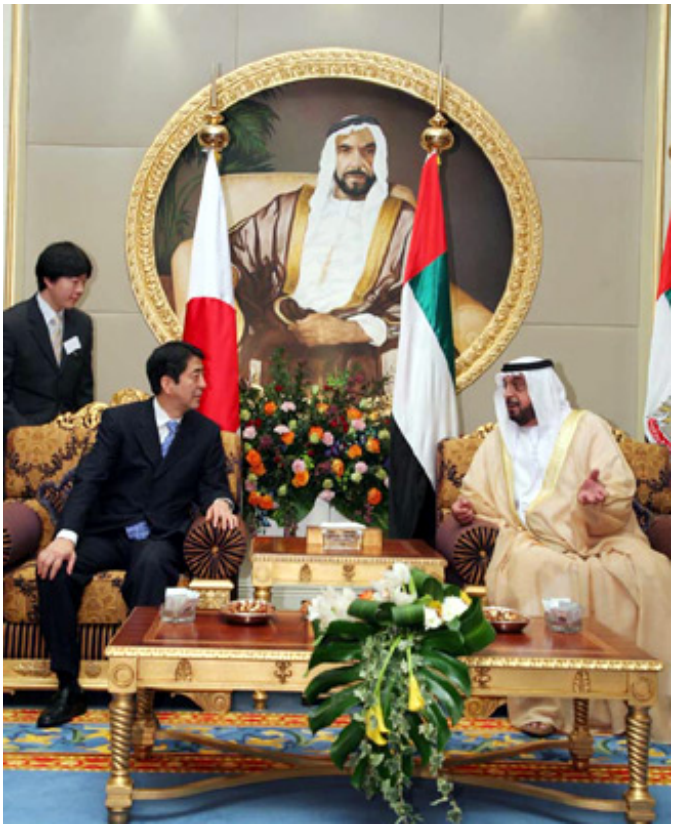
The oil-storage plan is designed to deepen Japan's interdependent relationship with Saudi Arabia and ensure stable oil supplies. Saudi Arabia, as well as Japan, is expected to benefit from the proposed Saudi use of Japanese storage tanks, which would enable the Arab kingdom to set a new commercial foothold in Asia. At present, Tokyo has stockpiles of about 5.25 million kiloliters of oil - an amount equivalent to 10 days of the nation's consumption - at the oil-storage facilities on Okinawa prefecture's Henza Island.

The Japanese and Saudi leaders issued a joint statement in which the two countries agree to strengthen high-level political dialogue, including between their foreign ministers. The joint statement spelled out the creation of a joint task force comprising representatives from the two governments and private sectors to expand investment, particularly in the fields of automobiles, electronics and construction materials. Both sides also emphasized the importance of an early conclusion of negotiations on liberalization, promotion and protection of investments between the two countries.

Only three days after the talks between Abe and Saudi leaders, including King Abdullah, Japan and Saudi Arabia held a one-day ministerial meeting in Riyadh and agreed to step up bilateral economic cooperation in such fields as energy and infrastructure development. Japanese Trade Minister Amari attended.

Japan specifically proposed accepting Saudi experts for training programs in Japan for oil exploration and development technologies. Japan also proposed helping Saudi Arabia develop expertise in the field of trade and investment, as well as extending financial support for the development of Saudi infrastructure.

In Abu Dhabi, Abe met with UAE President Khalifa bin Zayed Al Nahyan. The two agreed to launch a ministerial "Japan-UAE Joint Economic Committee" to promote bilateral economic relations, particularly in the investment, business-environment and energy fields. The UAE is Japan's second-largest oil supplier.



Abe and Pres. Khalifa

Kuwaiti leaders expressed to Abe their desire to start negotiations on promotion and mutual protection of investments between the two countries.

In Doha, Abe and Qatari leaders agreed to launch preparatory talks for negotiations on a bilateral investment treaty. Qatar is Japan's fourth-biggest oil supplier, after Saudi Arabia, the UAE and Iran. Qatar is also Japan's fourth-largest LNG supplier after Indonesia, Malaysia and Australia.

Saudi Arabia, the UAE and Iran remained Japan's three biggest oil suppliers in 2006. Saudi Arabia shipped 458 million barrels, or 30.0% of Japan's import total. The UAE shipped 387 million barrels, 25.4% of Japan's import total. Iran came third, exporting 176 million barrels, 11.5% of the total.

But Japan's oil imports from Iran plummeted 16.9% in 2006 from the previous year amid growing international tensions over the Persian Gulf nation's nuclear programs. If this declining trend continues, Iran will very likely cede third position as Japan's oil supplier to Qatar this year. Qatar shipped 156 million barrels to Japan in last year, 10.2% of the country's import total.

Japan agreed last autumn to give up its controlling interest in the US$2 billion development of Iran's massive Azadegan oilfield amid tensions over Tehran's nuclear program. Inpex Holdings Inc, Japan's leading energy developer fully backed by the government, reduced its stake in the southwestern oilfield from 75% to 10%.

Flush with oil money amid high prices for the fuel, the economies of oil-producing countries in the Middle East are booming. Japan's exports of steel and general machinery to those countries are on the rise, reflecting strong capital investments there. While Japanese energy companies want to secure stable supplies from the region, other companies, including financial institutions, are eager to cash in on the booming economies and oil money.

For their part, the GCC nations want to see a further inflow of Japanese investment and cutting-edge technology, not only into the oil sector but also in a wide range of other sectors, especially manufacturing, to help them reduce their heavy dependence on oil and increase employment opportunities for the swelling population.

Meanwhile, the government-affiliated Japan Bank for International Cooperation (JBIC) signed an agreement with the UAE's Abu Dhabi National Oil Co (ADNOC), which is wholly owned by the Abu Dhabi government, on Sunday to establish a comprehensive and strategic partnership.

JBIC is expected to lend $1 billion to ADNOC by the end of this year and several more billion dollars later to help the Persian Gulf nation boost crude-oil production and the economy in exchange for securing stable oil supplies. JBIC also signed a strategic partnership agreement with the Dubai government on Monday to help build Dubai's infrastructure and improve the business environment for Japanese firms. Dubai, one of the seven emirates that make up the UAE, is the financial and commercial hub of the Middle East.

Japan's higher political profile

To be sure, oil topped Abe's agenda during his Middle East tour. But he also apparently wanted to raise Japan's political profile in the region. Abe and Middle East leaders discussed Iraq, the Israeli-Palestinian conflict, Iran and Lebanon, as well as bilateral economic cooperation.

Japan has been one of the staunchest supporters of the United States in the war in Iraq. Although Japan withdrew its ground troops from Iraq last summer, its airmen are still flying supplies and personnel between Kuwait and Iraq. Japan also has dispatched Maritime Self-Defense Force (SDF) vessels to the Indian Ocean to refuel US and other coalition ships as part of efforts to assist anti-terrorism operations in Afghanistan.

At a port in Abu Dhabi on Sunday, Abe addressed members of the Maritime SDF. Aboard the docked refueling ship Hamana, he told the

crew he hopes they will help "write a new chapter for Japan on the front lines of international contribution", referring to the recent upgrading of SDF overseas activities into one of its primary duties from previous secondary status. "Your activities are highly appreciated internationally. I hope that you will proudly accomplish the mission and return to Japan in good shape," he said.

In Kuwait, Abe met with about 200 members of the air force unit stationed at Ali Al Salem Air Base in a show of support for their airlift mission between Kuwait and Iraq. Referring to deteriorating security and living conditions in Iraq, Abe said, "In whatever circumstances, I am confident that you will continue to make a major contribution to the reconstruction of Iraq as the representatives of Japan with the support you provide to the United Nations and multinational forces."

In their separate joint statements with Abe, most of the Middle East leaders, including Egyptian President Hosni Mubarak, expressed their appreciation for Japan's "contributions for the reconstruction and stability of Iraq". Some of the statements specifically cite either Japan's provision of economic aid or its sponsoring of a seminar on national reconciliation, attended by influential Iraqi figures, in Tokyo in March. But no statement directly referred to Japan's dispatch of SDF troops.

Abe and Pres. Mubarak

The Middle East leaders welcomed a greater role for Japan in the Middle East peace process. In separate joint statements issued after their leaders met with Abe, Saudi Arabia, the UAE and Egypt also specifically expressed their appreciation for Japan's efforts in supporting the Middle East peace process, such as the concept of the "Corridor for Peace and Prosperity."

In March, Tokyo hosted an unprecedented meeting of top officials from Japan, Israel, the Palestinian authority and Jordan. Israeli and Palestinian representatives pledged to steadily implement the Japan-led "Corridor for Peace and Prosperity" initiative to spur economic cooperation between the two sides as part of efforts to promote peace and stability in the Middle East. The initiative calls for the building of an agro-industrial park in the West Bank that will process locally-made citrus fruits and vegetables for shipment to Arab nations and elsewhere. The envisaged park would employ Palestinian workers.

On Wednesday, Abe met with Mubarak on the last leg of his five-nation Middle East tour. The two leaders reaffirmed their cooperation in promoting peace in the Middle East and in dealing with issues related to Iraq and Iran. Abe was quoted as telling Mubarak that he wants to strengthen Japan's partnership with Egypt, as Japan regards the country as playing a key role, especially in the Middle East as a peace broker.

Meanwhile, ministers from the Middle East and other international powers began to meet in the Egyptian resort of Sharm al-Sheikh on Thursday for two days of talks to discuss Iraq's security. Japanese Foreign Minister Taro Aso was to attend the conference on Friday.

Intensifying race for uranium

On his visit to Central Asia, Economy, Trade and Industry Minister Amari stressed the need to diversify Japan's sources of uranium in an increasingly competitive market. He and Kazakh Prime Minister Karim Masimov issued a joint statement aimed at boosting bilateral

civilian nuclear cooperation and the Central Asian nation's uranium supplies to Japan.

"It declares that the two nations are mutually beneficial strategic partners in the nuclear field," Amari said at the signing ceremony.

"The two countries' cooperative ties will make big progress," Masimov said at the same ceremony. They also confirmed that negotiations will begin for a nuclear-cooperation agreement to ensure smooth exchanges of nuclear technology and materials.

Meanwhile, top executives from 29 Japanese companies accompanying Amari signed 24 business deals with Kazakh firms to help ensure stable uranium supplies to Japan in the long term and facilitate the transfer of civilian nuclear technology to Kazakhstan. Kazakhstan has the world's second-largest uranium reserves after Australia. But at present, the Central Asian nation supplies only 1% of Japan's uranium imports. Australia and Canada supply 33% and 27%, respectively. As a result of the deals signed this week, Kazakhstan's share of Japan's uranium imports is expected to jump to 30-40% in the future.

Among the 24 deals, Marubeni Corp, Tokyo Electronic Power Co and Chubu Electric Power Co agreed with Kazakh state-run atomic company Kazatomprom to develop jointly the Kharassan uranium mine in southern Kazakhstan. Itochu Corp signed a contract for a long-term supply of uranium concentrate from Kazakhstan.

Toshiba Corp agreed with Kazatomprom to help build nuclear power plants. The Japanese side also agreed to provide Kazakhstan with technological assistance for processing uranium fuel and building light-water reactors in exchange for uranium supplies.

Before Kazakhstan, Amari visited Uzbekistan, where he agreed with Prime Minister Shavkat Mirziyoyev that Japan and Uzbekistan will strengthen cooperation in exploring and developing oil, natural gas, uranium and other mineral resources in the Central Asian republic in exchange for Japan's support in improving that country's investment climate. Uzbekistan's uranium reserves are the 10th-largest in the world.

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