

AJISS-Commentary

The Association of Japanese Institutes of Strategic Studies

IIPS

Institute for International
Policy Studies

JIIA

The Japan Institute of
International Affairs

RIPS

Research Institute for
Peace and Security

Editorial Advisory Board:

Akio Watanabe (Chair)
Masashi Nishihara
Yoshiji Nogami
Taizo Yakushiji

Editorial Committee:

Taizo Yakushiji
Hisayoshi Ina
Tsutomu Kikuchi
Shujiro Urata and
Toshiro Iijima

Editor & Online Publisher:

Yoshiji Nogami
President, JIIA

No. 193

19 March 2014

NEW POWER STRUGGLES AFTER THE GENEVA INTERIM AGREEMENT ON THE IRANIAN NUCLEAR PROGRAM

Mari Nukii

The P5+1 group of nations - the US, the UK, Russia, China, France and Germany - reached an interim agreement with Iran on November 24, 2013. After negotiations on technical procedures, the agreement went into force from January 20, 2014 for six months. Iran agreed to halt its 20% enrichment program, the output of which is usable for nuclear medicine and can be further enriched to weapons-grade (90%), and to allow frequent access to UN inspectors in return for limited sanctions relief.

The views expressed in this piece are the author's own and should not be attributed to The Association of Japanese Institutes of Strategic Studies.

It includes the lifting of sanctions on petrochemical products, insurance, gold and other precious metals, passenger plane parts and services. The US and EU also plan to release \$4.2 billion in Iranian assets (oil revenues) blocked overseas, in eight installments over six months. The deal permits Iran's six current customers – China, India, Japan, South Korea, Taiwan and Turkey – to purchase Iranian oil at current levels.

The International Atomic Energy Agency (IAEA) is in charge of verifying the deal's implementation. Daily access will be provided to the Fordo and Natanz uranium enrichment sites. Monthly inspections will be allowed at the Arak heavy water reactor. The IAEA inspectors will check whether Iran (1) halts enrichment of uranium above 5% purity, (2) dilutes its stockpile of 20%-enriched uranium, (3) does not install any more centrifuges and enrichment facilities, and (4) stops constructing its heavy-water reactor at Arak.

Iran ranks first in the world in terms of natural gas reserves and fourth in terms of oil reserves, with a huge market of 76 million people. Italian, British, Turkish and many other foreign delegations have rushed to Iran expecting better opportunities after the sanctions relief. Chinese state-owned Zhuhai Zhenrong Corporation, an affiliate of China's defense authorities established in the 1990s, started negotiations with the National Iranian Oil Company (NIOC) for a new crude oil contract in December 2013. France, which opposed the interim agreement on November 9, even dispatched over 100 businessmen in January 2014.

However, the interim deal is on a knife-edge due to international and internal power struggles both for the US and Iran. Israel and Saudi Arabia, crucial American allies in the Middle East, expressed their discomfort with American efforts to conclude an agreement with Iran. Israeli Prime Minister Benjamin Netanyahu even called it “a historical failure.” Israel and Saudi Arabia are actively lobbying in Washington against Iran. President Obama warned opponents by issuing a veto threat against a bill to impose further sanctions on Iran.

Although Iranian Foreign Minister Javad Zarif was greeted by a supportive Iranian public at the airport on November 24, he faced harsh criticism

from hard-line conservatives in parliament and the Revolutionary Guard. Companies related to the Revolutionary Guard had expanded their businesses to the oil industry during the Ahmadinejad administration (2005-2013), and a withdrawal of foreign corporations and investments under the economic sanctions had enabled them to gain greater business opportunities. Supreme Leader Ayatollah Khamenei, who has the final decision on “delineation of the general policies of the Islamic Republic of Iran” according to Article 110 of the Constitution, has shown an ambiguous attitude regarding the interim agreement.

However, people’s frustration with the Islamic regime since 2009 and their strong expectations for improvements in economic and foreign relations changed the Supreme Leader’s attitude and prompted him to endorse the moderate Rouhani as the 11th president in June 2013. His change of foreign policy was also confirmed by an Associated Press report from November 24, 2013 entitled “Secret US-Iran talks set stage for nuke deal.” Khamenei has allowed the president to try diplomatic efforts in order to solve the problem without sacrificing Iran’s national pride and its right to use nuclear technology for peaceful purposes within the framework of the Nuclear Non-proliferation Treaty. Although Khamenei supported Rouhani’s flexible diplomatic stance after his inauguration, he has also permitted hard-line conservatives to criticize the interim agreement. Both the Obama and Rouhani administrations are headed for difficult maneuvering in the face of intensifying internal and international opposition to a final agreement on the Iranian nuclear issue.


Japan got a good start on the final agreement in high-level political dialogues. Japan has encouraged the Rouhani government to demonstrate flexibility, dispatching Masahiko Komura, Special Envoy of the Prime Minister of Japan, to Iran, and holding face-to-face talks between Prime Minister Shinzo Abe and President Rouhani during the UN General Assembly on September 26, 2013. Fumio Kishida, Japanese Minister for Foreign Affairs, visited Iran on November 9-10, 2013. Kishida urged Rouhani and Zarif to ratify the Comprehensive Test Ban Treaty (CTBT) and to implement an additional protocol that would enable the IAEA to conduct surprise inspections. These Japanese efforts aimed at dispelling suspicions about Iran’s nuclear development program

and enhancing transparency in its activities. Japan has also tried to persuade the US to ratify the CTBT. Accepting the formal invitation from Foreign Minister Kishida, Dr. Zarif visited Japan and met Prime Minister Abe and Mr. Kishida on March 5, 2014. Dr. Zarif showed his expectation about economic and nuclear cooperation with Japan.

The Bank of Japan transferred \$550 million to the Central Bank of Iran (CBI) account on February 3, 2014 to pay for Iranian crude oil for the first time under an interim nuclear deal. However, Japanese banks and companies still seem to be cautious about business and investment in Iran because of the fear of infringing American sanctions as the Bank of Tokyo-Mitsubishi UFJ did. The bank was fined \$8.6 million by the US Treasury Department in December 2012, since it continued transferring funds to Iran under the sanctions.

Utilizing its historically good relationships both with Iran, Japan should try to influence the next deal to steer Iran in a peaceful direction. The most efficient way is to participate in the negotiations, at least as an observer. The Japanese government should work on establishing better conditions in the next agreement, cooperating with countries that were obliged to decrease oil imports from Iran to a large extent in accordance with the strong American- and EU-led economic sanctions on Iran. In 2011, China accounted for 22% of Iranian oil exports (\$543 billion), followed by Japan (14%; 341,000 b/d), India (13%; 328,000 b/d), South Korea (10%; 244, 000 b/d), Turkey (7%; 183,000 b/d) and Italy (7%; 183,000 b/d). The National Defense Authorization Act of 2012 forced major clients of Iranian oil to reduce their Iranian oil imports by over 20% in 2012 to qualify for a sanctions exemption. Japan, which increased its dependence on fossil fuels because of the Great East Japan Earthquake in March 2011 and the suspension of nuclear power plant operation, suffered significantly from stopping Iranian oil imports. It is time to reconstruct better political and economic relationships between Iran and the rest of the world.

As a result of the Arab Uprising since 2011 and progress in Iran nuclear negotiations, the Middle Eastern countries face cataclysmic changes in the geo-political power balance. The Gulf countries, especially Saudi Arabia, are concerned about growing Iranian influence in the region. Their chief concern is

that Iran might try to fill the power vacuum left by the US as it shifts toward the Asia-Pacific region in line with its “Rebalance” policy. The Persian Gulf is a geopolitically and economically crucial area not only for the neighboring countries, but also for Japan in order to secure stable energy supplies. Japan is ready to intensify dialogues on geo-political issues with two leading countries in the region, Iran and Saudi Arabia, to help ease tensions. 

Mari NUKII

Research Fellow, Japan Institute of International Affairs. She received her PhD (History) from Keio University in 2007, specializing in modern and contemporary Iranian history and society. Her publications include “Protest Events in the Tehran Bazaar During the Oil Nationalization Movement of Iran,” Annals of Japan Association for Middle East Studies Vol. 28-1 (2012).