



## Japan and Iran: Partners in Oil

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### Summary

The United States is attempting to convince Japan to ditch Iran as an oil supplier in favor of Libya. Though such an arrangement would greatly assist U.S. strategic aims in the Middle East, it would make sense to Japan only if Iran were plunged into war.

### Analysis

U.S. officials quietly have recommend to Japan's Economy, Trade and Industry Ministry that Japan abandon Iran -- the world's fourth-largest oil exporter -- as an energy supplier in favor of a country such as Libya, Kyodo News Service reports.

For the United States, this is about isolating Iran from the international community and smoothing the re-entry of its new regional ally, Libya, into the international mainstream. Tokyo, stuck between the economics of its energy needs and the politics of its security needs, is considering alternatives. But so long as Iranian crude oil remains on the market, other options are simply not viable -- and Tokyo will not turn to Libya.



Japan is Iran's single largest customer -- importing approximately 700,000 barrels per day (bpd) from the country -- and Iran is Japan's third-largest supplier. That is an economically crucial commercial relationship for Japan, which imports more than 99 percent of the roughly five million bpd of crude it needs. Japan also sealed a deal in February 2004 to develop Iran's Azadegan superfield, one of the world's largest discoveries in the past 30 years. Japan is not going to abandon Iran without a compelling reason.

Libya is not that reason.

Even a cursory glance at Libya as a potential supplier reveals that Japan will not lightly abandon its Iranian supplier.

- Libya is on the wrong side of the Middle East, so any supertankers making the trip would have to take a 6,000-mile detour around Africa, since supertankers are too large to use the Suez to shorten the trip.
- Libyan crude tends to be heavy, while Iranian crude tends to be much lighter and therefore

more valuable.

- Although Libya' s rapprochement with the United States almost certainly means it is on the [cusp of a massive oil renaissance](#), Libya exports only 1.25 million bpd -- all of which goes to Europe.

It should come as no surprise that Japan did not import a single barrel of crude from Libya in 2003.

In fact, there is really only one reason Japan would ever seriously consider jumping the Iranian ship: if it were about to sink. The United States and Iran are moving toward a slow-motion train wreck over the issue of Iran' s nuclear program. If the two sides [continue to misread each others' intentions](#), Japan might be forced to find an alternate supplier because Iran might find itself at war.

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