

ANALYSIS

Window for Abe

By Reza Zandi

Japan's Prime Minister Shinzo Abe, who just played golf with US President Donald Trump in Tokyo two weeks ago, is heading to Tehran this week to broker easing of strained relations between Tehran and Washington.

The last time a Japanese prime minister visited Tehran was 41 years ago, prior to the victory of the Islamic Revolution back in 1979. Japan has not entered the game without a US permission. But, how could this mediation benefit Tokyo? What would count as a success for Abe in Tehran? Let's look at the issue from the viewpoint of crude oil.

1. Japan reduced its dependence on oil during the 10-year period from 2007 to 2017, by about 890,000 barrels per day. However, in 2017, this country imported 4.142 mbd of crude oil, or 1.6% of the world's total oil imports in the same year. The Persian Gulf producers supply the lion's share of Japan's oil needs. So, it would be fair to imagine that a widespread tension in the Persian Gulf region, leading to the insecurity and closure of the Strait of Hormuz, could cause serious trouble for Japan's economy and industries. This is one good reason for the Japanese to strive to reduce tensions in the region.

2. In the early 2000s, I remember well the night Japan's INPEX signed a contract for developing Azadegan oilfield following months of negotiations. The deal was so important for the Japanese that they offered over \$3 billion in low-interest loans to Iran to win the contract. They had planned to gain a toehold in one of the largest oilfields in the world in order to ensure the future of their energy security. As the specter of Iran's nuclear sanctions loomed, the Japanese immediately abandoned everything and left quickly with a mere US signal. Japan is respectable, but cannot be seen as an impartial mediator!

3. Iranian Foreign Ministry officials have welcomed the presence of Japan's prime minister in Iran. I think that Mr. Shinzo Abe can temporarily put an oil card on the table to ensure the success of his visit. Prior to the sanctions, Japan imported 130,000 bpd of oil from Iran. In March (two months ago), Japan's oil imports from Iran stood at more than 290,000 bpd due to non-renewal of sanctions waivers by the United States. Japan is a traditional customer of Iranian oil and losing it would be costly for Iran. Now, if Mr. Abe, fully understanding the status quo, can grant his country extension of US sanctions waivers to continue importing Iranian oil, he can win the confidence of Iranians as a mediator.

4. I have written time and again that the danger of losing Iran's oil markets under the severe pressure of sanctions is serious. If Iranian oil customers set their refiners to process other crude types, it will no longer be easy for Iran to sell oil to the market even in the case of removed bans. Therefore, the passage of time under the current circumstances is very destructive to the Iranian oil industry. Particularly, our neighbors keep enhancing their oil and gas output from the joint fields on a daily basis. Certainly, you must have heard about a \$3-billion-dollar deal Iraq has recently struck with ExxonMobil. If the Japanese manage to have the oil sanctions on Iran lifted, they can return to oil projects in southern Iran.

5. Talks with the Japanese prime minister would definitely include the issue of oil. The language of oil is international and universal. Everyone understands this language; everyone, including Shinzo Abe and Donald Trump!

The analysis was first published by Shana.

Minister: Exports to regional states among top priorities

Iran's Minister of Industry, Mine and Trade Reza Rahmani said that the government has planned to concentrate on exporting products to regional and neighboring countries.

He made the remarks in Sunday's open session of the Parliament regarding the review of setting up a free trade zone between Iran and Eurasian Economic Union (EEU) and reiterated, "Strengthening economic co-operation and focusing on exporting products to the regional countries are of the main programs devised by the 12th government," Mehr News Agency reported.

The government makes its utmost efforts to broaden and develop its relationship with the regional and neighboring states, the issue of which has been emphasized and reiterated by the Leader of the Islamic Revolution, Rahmani added.

He pointed to the agreement which is going to be inked between Iran and EEU with the aim of setting up a free trade zone and said, "This agreement is the most comprehensive and detailed agreement that has thus far been concluded by the Islamic Republic of Iran."

Approval of this agreement does not mean Iran's membership in Eurasian Economic Union (EEU), rather, it is a trade and business agreement for preferential trade, he stressed.



Under the agreement, Iran's membership will be for a period of three years and after that, Iran can either decide to renew

its membership or terminate it, Rahmani stated. Legislators in the Parliament agreed

with the generalities of the temporary agreement for setting up a free trade zone between Iran and EEU.

TPO: Two-month non-oil exports hit \$8.4b

The caretaker of Iran's Trade Promotion Organization (TPO) Mohammadreza Modoufi announced on Sunday that in the first two months of the current Iranian calendar year (March 21- May 21), Iran exported \$8.4 billion of non-oil products.

As he told reporters in a news conference, based on the latest data released by the Islamic Republic of Iran Customs Administration (IRICA), the figure shows an increase of 7.1 percent from 7.7 billion in the same time span in the year preceding, Mehr News Agency reported.

Exports of engineering and technical services in the said time stood at \$1.6 billion showing an increase of 17 percent year-on-year, he added.

"The government will do its best to witness a real jump in exports of non-oil goods to our 15 neighbor countries," Iranian Industry Minister Reza Rahmani said on Saturday.



Naming non-oil exports as the means to rescue the country's economy, Rahmani called on all the affiliated organizations

as well as the Chamber of Commerce to help the government reach the set goal. He also required the Central Bank of

Iran (CBI) to pay a significant attention to implementing forex policies to improve non-oil exports and prosper domestic production.

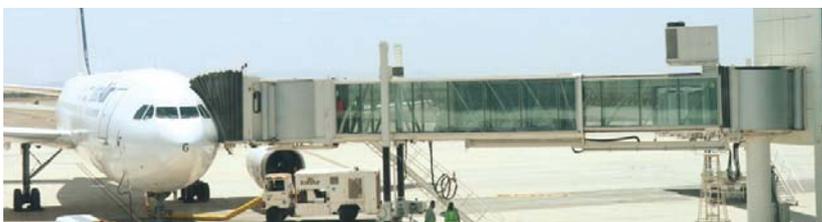
During the past years, Iran has sought to reduce its reliance on oil revenues majorly via moving toward increasing non-oil exports and flourishing tourism industry.

On May 14, Iranian First Vice President Es'hag Jahanjiri announced that the country's reliance on oil income has dropped below 30 percent.

The government could manage to decrease its dependence on oil revenues from its previous 80-90 percent to less than 30 percent, the Iranian official said.

"Reliance on oil income presently is below 30 percent, i.e. in case of saving via reducing expenditures, the planned financial resources in the budget can be consumed on development targets," Jahanjiri said.

ORAT concluded at Tehran's newly-built Salam Terminal-Gallery



Imam Khomeini Airport City officially concluded Operational Readiness and Airport Transfer (ORAT) in Salam Terminal-Gallery on Sunday ahead of its inauguration in the near future.

According to IKAC's public relations office, several people were gathered in the newly-built terminal to test the operational flow of the terminal in the presence of Minister of Roads and Urban Development Mohammad Eslami and local aviation authorities.

Salam Terminal-Gallery, with an annual capacity of five million passengers, has been mostly designed and constructed by Iranian engineers, Financial Tribune

reported.

It also showcases the artworks of several well-known Iranian artists.

"Employing local workforce, technology and material helped us save at least \$3 million in the construction process," says Ali Rostami, the CEO of IKAC.

Currently, IKIA only carries out international flights. But plans are underway to transfer a portion of domestic flights to Imam Khomeini International Airport after the inauguration of Salam Terminal.

The measure is aimed at attracting more foreign tourists to Iranian cities. "Shiraz, Isfahan and Tabriz airports officials are

keen to operate direct flights to IKIA," Siavash Amirmokri, the head of Iran Airport Company told IRNA.

However, "the final decision should be made by airline companies after studying the profitability of operating the flights."

Imam Khomeini International Airport is expected to handle domestic flights between 12 a.m. and 5 a.m., when Mehrabad Airport is barred from operating flights.

Pointing to IKAC's 30-km distance from Tehran, Amirmokri said, "We first need to make sure that transferring domestic flights to IKAC will not have a negative impact on the demand for domestic

flights."

IKAC presently has a passenger capacity of around five million per year. However, in the fiscal 2017-18, the airport hosted over nine million passengers.

Meanwhile, plans are underway to build another terminal at IKIA airport.

Iranshahr Terminal's first development phase has been designed to handle 25 million passengers per year and will reach 110 million passengers annually upon the completion of its third and final phase.

Imam Khomeini International Airport registered 47,446 take-offs and landings in the last Iranian fiscal year that ended March

20, 2019 to register a 19% decline.

More than 7.27 million passengers and around 141,704 tons of cargos were transported from the airport during the period to be ranked third on the list of Iran's busiest airports. The figures show a 19% and 14% decline YOY.

Tehran's Mehrabad International Airport was the busiest Iranian airport last year with 126,030 takeoffs and landings,

registering a 12% fall YOY. More than 14.82 million passengers as well as around 102,949 tons of cargo were handled at this airport to register 15% decline each YOY. IKIA has the biggest share of international flights operated in Iran and Mehrabad the biggest in terms of domestic ones.

Tehran's Imam Khomeini International Airport has been distinguished as the third fastest-growing major airport in the world.

A study by Routes Online shows the airport grew in terms of passenger numbers by 48.6% during the first half of 2018 to 3.93 million, helped by Ata Airlines, following the rise in frequencies to Istanbul Ataturk.

Operated by Iran Airports Company, IKIA is located 30 kilometers southwest of Iran's capital city Tehran.

