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RESEARCH ARTICLE

An Analysis of Iran-Japan Trade Relations during the Pahlavi II Era

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Abstract: Japan was an important and influential trade partner of Iran during the Pahlavi II era. However, no studies have been conducted on the effects of this country and its trade relations with Iran. The present study attempts to deal with the ups and downs in Japan's trade relations with Iran during that era and evaluate its political impacts based on available documents. Furthermore, the discussions also include the types of cargo, their amount, their value and the dimensions of the trade between the two countries. According to the results of the study, the ideological affiliation of Iran and Japan to the Western bloc was effective in the development of trade relations between the two countries. Thus, Japan became the main importer of Iran's oil and Iran employed Japanese experts for its economical and industrial activities. Therefore, several contracts were signed between the two nations. Nevertheless, the trade balance was in Japan's favor. The Iranian government's efforts to balance the scales were successful in a few instances; however it failed in the long run. In conclusion, Japan became Iran's third trade partner in this era.

Keywords: Iran; Japan; Trade Relations; Pahlavi II; Mohammad Reza Shah.

Introduction

Economic and trade relations between Iran and Japan have not been properly analyzed, especially during the Pahlavi II era. During the period at hand, these relations had entered a new phase in its history, and thus, deserves

a novel comprehensive research. Iran and Japan have been trade partners for centuries. Signs of this relationship have been proven in new studies (Gucci, 2011: 202). There are several motives behind the expansion of trade

between the two countries during the Pahlavi II era. Amongst other things, Japan was heavily dependent on other countries due to its specific geographical location and its lack of mineral resources. After the defeat in World War II, the Japanese realized that they could not form an unrivaled empire like before; instead, they put aside their dream of progression via military victories and instead, they put all their efforts into business (Reischauer, 1969: 237) and began their worldwide commercial activities. In the summer of 1945, only a few weeks prior to the unconditional surrender to the Allies, a special committee was formed at the Foreign Ministry to review the socio-economic situation in their country, and their first meeting was held by the Emperor of Japan on August 16, one day after the surrender (Naghizadeh, 2006: 674).

Japan has long had trade relations with the oil-rich countries of the Middle East. As Iran's economy was the most active in the Persian Gulf, it established broader relations with Iran. Furthermore, Iran, which had previously experienced the bitter Western colonial interventions, had shown interest in

expanding trade and political relations with Japan many years prior during the Qajar period (Shimizu, 2014: 22).

This interest was so great that even when the Allies put pressure on Iran to cut ties with Japan, Ali Soheili, the Prime Minister of Iran at the time, addressed the Japanese ambassador, "Please leave Iran for a while, and when peace is restored in the future, we can reestablish our friendly relations and exchanges" (Fourteen travelogues and memoirs, 2016: 12-13).

Another factor that intensified the impetus for closer relations between Iran and Japan was the fact that both countries were trade-security allies of the U.S. Both countries were politically on the Western front: Japan after World War II and receiving aid from the U.S. and Iran after the US involvement in the 19 August 1953 coup d'état and the salvation of the Pahlavi monarchy, making both countries indebted to the new world superpower. Therefore, both had common belief in economics and faith in the free market. However, the question that arises is what ups and downs did the trade relations between Iran and Japan experience during

the Pahlavi II era and what effect did political relations have on the progression of this relationship? Furthermore, analysis of the type, amount, size, and the approximate value of the goods, makes the dimensions and scope of exchanges between the two countries more perceptible in this period. This study uses a descriptive-analytical approach and relies on the archival documents of the Ministry of Foreign Affairs of Iran, the Islamic Parliament of Iran in addition to library research resources.

1. Crude Oil, Main Axis of Trade Relations between Two Countries

1.1. Establishing Oil Relations between Iran and Japan during the Iranian Oil Embargo

In early 1953, Japan arose from the ruins of World War II to take advantage of the nationalization of Iranian oil, ignoring the British threat and sanctions, and signed a contract with the Iranian government to import 800,000 kiloliters of petroleum products. Based on that contract, Japan's Mitsui Oil Company transported this amount of oil, which it bought much cheaper

than the world price, to Japan with its oil tanker Nishomaru by overcoming many difficulties. As a result, the Mitsu Oil Company became the main founder and major supporter of the Iran-Japan Association, which was formed in the mid-1950s and played a role in Iranian and Japanese cultural activities (Rajabzadeh, 2012: 28).

According to some documents from the Iranian Ministry of Foreign Affairs, since 1953 and prior to the end of the military state, Japan had sent a request to the US State Department to launch shipping between Iran and Japan, and this was confirmed by Allahyar Saleh, the Iranian ambassador to Japan.

In fact, Japan's first attempt to buy Iranian oil was the proposal to launch a sea line even before the state of war between the two countries had ended (Documents of the Ministry of Foreign Affairs, 1953, File. 6, Document 5).

Although some have discussed the cheap purchase of Iranian oil and Japanese opportunism in this topic, it must be noted that in this period, Japan was on the verge of

joining the international community and had to maintain a good relationship with Britain, so it was not advisable for Japan to buy Iranian oil from a diplomatic perspective (Iranian oil and Nishomaru tanker, 2012: 20). As a result, the British Oil Company filed a lawsuit against the Mitsui Oil Company in Tokyo court and the ruling was in favor of the Japanese company, and during the final days of Mosaddegh's office, The Tokyo court rejected the petition of the British Oil Company. However, Japanese tankers were no longer allowed to transport Iranian oil due to pressure from the British (Mahdavi, 1995, 423-424).

1.2. Establishing Official Ties and Developing Iran-Japan Relations in Oil-related Issues

Prior to the 1953 coup, in a letter to the Japanese Consulate, the Iranian Foreign Ministry requested for the provision of necessary facilities to issue entry visas and provision of temporary or permanent residence for Iranian businessmen in Japan, as well as the profile of the institutions with commercial disputes along with specifying

the extent to which Iranian citizens have the right to work in Japan (Ministry of Foreign Affairs, 1953, File 8, Document 2).

This letter being sent in January 1954 shows that the Iranian Foreign Ministry, which was under sanctions imposed by Britain, was looking for openings to export goods to other countries. After the coup, a contract with the Japanese Mitsui Oil Company was approved in the National Assembly which, if approved by the government, could be extended for another seven years (Detailed talks of the National Assembly, Session 64).

After the renewal of political relations between the two countries, Musa Nouri Esfandiari went to Japan on behalf of Iran as an ambassador at the beginning of January 1954, and Yamada Hisanari came to Iran as the Japanese ambassador. It is clear from Hisanari's writings that he was a staunch supporter of Mohammad Reza Shah and considered him to be someone who was looking to develop a powerful Iran and believed him to be the founder of a revolution like the Meiji Revolution in Japan. Hence, Hisanari claims that the king invited him

several times and received him, and he presented various books that he had written and had published about Meiji reforms to the Shah (Fourteen Travelogues and Memoirs, 2016: 52). On the other hand, according to some documents from Musa Nouri Esfandiari's reports, the Japanese sought to exploit trade relations with Iran during this period in a way that according to the negotiations between the two countries, the Japanese side had stated that Iranian oil would be considered as one of the total exports of Iran and in return for the oil obtained from Iran, Japan would pay half the price in U.S. dollars and calculate the other half in Japanese Yen and deliver the goods to Iran (Zandieh & Ghorbani, 2019: 187).

During 1954 and 1955, Musa Nouri Esfandiari and Ahmad Namdar, the commercial attaché of the Iranian Consulate, both strived hard to moderate the diplomatic pressure of Japan in attempting to establish one-way trade relations with Iran. Due to their endeavors and some Iranian officials, the covetous endeavors of the Japanese for the hasty approval of a trade agreement with Iran failed and the negotiation process

continued for over a year (Ministry of Foreign Affairs, 1953, File 8, Document 2). Since the 1960s, or 1966 to be more precise, the ratio of Iranian oil exports to Japan and Europe was reversed and exports to Japan exceeded exports to Europe because in 1967, an exclusive company named General Oil Development Company was formed in Japan, the aim of which was to supply crude oil resources (Ahari, 1970: 254). Thus, on June 4th, 1969, members of a high-ranking Japanese oil delegation came to Tehran to negotiate the possibilities of Iranian-Japanese cooperation in the field of development and production of oil resources. The delegation met with Iranian officials to discuss Japanese investment opportunities in Iran's oil resources and laid the groundwork for a contract between the two countries (Ahari, 1970: 350).

In the final year of the consortium agreement (1972), Iran's oil consumption markets were as follows in order of importance: Japan, Western Europe, North America, Asia (excluding Japan), Africa and other places (Australia, etc.) (Rouhani, 1977: 454)

Furthermore, in July 1970, The National Iranian oil Company declared that some areas of the Lorestan Province as well as some of the maritime areas of the Persian Gulf were free for oil operations and according to an auction, three 50/50 partnership agreements were concluded with a group consisting of four Japanese companies as well as Mobil which joined them and finally, a joint company called Inpeko. Its area of operation was located in Lorestan with an area of 8,000km² (Rouhani, 1977: 209-210).

Iran-Japan oil relations continued to expand until in 1975, the Iran-Nippon Petrochemical Corporation was founded with a 50/50 partnership with a Japanese group and its production start date was predicted to be 1977. The company's product was plastic softener (Rouhani, 1977: 233).

It is worth mentioning that the contracts that Iran signed with Japanese companies were according to the New Oil Act of 1973, a service contract agreement, meaning that the foreign oil company took over the responsibility and risk of exploration as a contractor for the National Oil Company. If the contractor struck oil at his own risk and

capital, they would develop the oil resources with the capital of the National Oil Company and their cooperation (Mina, 1972).

In addition to the purchase of Iranian crude oil by Japan, a series of negotiations was conducted between the two countries to produce petrochemical products in Iran (Fakhimi, 1999: 382).

According to estimates by Japanese experts, the project required an investment equivalent to \$1.3m initially in 1971. However, by 1979, the required investment increased to almost \$3.5m. The project began in practice in Shahpour (Imam Khomeini) Port at the end of 1976. By the victory of the Islamic Revolution, the entire construction project was 85% complete and approximately seven hundred specialist Japanese workers participated in the project (Government Reports, 44). In the Iranian-Japanese petrochemical project, the companies that cooperated were affiliated with Mitsui, as well as two other companies named Mitsubishi and C Ito (Iticho).

In terms of quantity, sales and revenue, these three companies alternately won first

place in various industrial and commercial activities in Iran (Fakhimi, 1999: 178).

2. Political and Economic Relations between Iran and Japan and its Effects on Trade Relations

2.1. Diplomatic Meetings

Iran and Japan were in the Western bloc in the 1960s and they did not face any political obstacles in expanding relations. Hence, as expressed in the introduction of the necessities of the reciprocal needs of the two countries, Iran and Japan developed political relations. At this point, Prince Akihito, the Crown Prince of Japan (the next emperor of Japan) visited Iran in 1957. Likewise, Mohammad Reza Shah visited Japan in May 1959. Both of these trips were very effective in expanding trade relations between the two countries. From then on, Japan became one of the major consumers of Iranian oil, such that in the 1970s, up to 90% of its oil was supplied by Iran.

Subsequent to these relations, the royal families of the two countries established very close ties which were unprecedented, such that Akihito, the Crown Prince of Japan, and

his wife unofficially visited Iran on Friday, the 4th of June, 1971 on their way to Afghanistan and met with the Shah and Farah during their stay in Iran. Furthermore, Prince Mikasa, brother of the Emperor of Japan who was in charge of the supreme chair of the Japanese Committee for the 2,500-year celebration of the Persian Empire, came to Iran to participate in the ceremony with his wife on a royal invitation on October 11th, 1971 (Annual Report of the Ministry of Foreign Affairs, 1971: 178-181).

Official and diplomatic meetings were also held at lower levels. Relations between the two countries developed further after the official visit of Ardeshir Zahedi, the Iranian foreign minister, to Tokyo at the invitation of the Japanese government (23rd-30th April, 1969). In his meetings, Zahedi expressed the interest of Iranian officials in attracting Japanese capitals in various fields as well as the deployment of experts for the construction of underground trains (metro) and wide roads outside the city. Furthermore, in October 1969, a Japanese benevolence delegation headed by Akaji arrived in Tehran and met with Zahedi, the foreign minister.

Also, the mayor of Ogayama arrived in Tehran on the 19th of November 1969, and was welcomed by the municipal officials of Tehran (Annual Report of the Ministry of Foreign Affairs, 1969: 88-89).

During the 61st Inter-Parliamentary Conference in Tokyo on October 2nd which was inaugurated by Emperor of Japan Hirohito and lasted for ten days, some Iranian senators and members of parliament participated in this international event and visited the Toyota company at the invitation of Mr. Toyoda, the head of the Toyota factory (Detailed Parliamentary Negotiations, twenty-third session, one hundred and ninety-one session). Also, on September 17th, 1968, Kinji Moriyama, delegate of the Japanese Parliament and member of the Liberal Democratic Party of that country, was tasked with examining Iran's political and economic situation on behalf of the House of Representatives of Japan and he visited Iran with his secretary (Documents of Parliament, Retrieval number /22/34/1/4/39).

2.2. Bilateral Cooperation Agreements and Reasons

The first comprehensive economic agreement between the two countries was signed in five articles on December 9th, 1958 (Collection of Treaties..., 1970: 441-442). Although this agreement had spoken of the cooperation of both sides in joint projects and the deployment of technical forces, it can be understood in practice that Iran suffered from a lack of specialists in various economic fields during that era and as a result, most of the provisions of this agreement were in some way a contribution to Iran's economic situation.

A few years earlier in 1955, a six-member trade delegation which included an official of the Japanese Ministry of International Trade and Industry and five representatives of major Japanese commercial companies came from Japan to Iran. After introducing these people, the Japanese consulate requested the Iranian Ministry of Foreign Affairs to make necessary arrangements so that the aforementioned business board could approach the relevant authorities (Ministry of Foreign Affairs, 1955, File 2). In a letter, Iran's Deputy Minister of National Trade talked about the extensive cooperation

between Iran and Japan as well as this delegation being received with a warm welcome (Ministry of Foreign Affairs, 1955, File 2, Document 3).

Two years after signing the aforementioned agreement, Iran and Japan signed a new contract in eight articles which took place subsequent to strengthening further friendly relations and completing the terms of the contract of economic and technical cooperation between the two countries (Collection of Bilateral Treaties..., 1971: 442-443). The second appendix of this contract considered special and unprecedented privileges for Japanese specialists as follows:

1. Exemption from paying current income tax in Iran;
2. Privilege of exemption from existing customs tariffs according to ordinary regulations;
3. The following items would be exempt from customs tariffs:
 - a) One personal automobile or motorcycle
 - b) Professional apparatuses and tools

c) Free medical care including hospital facilities (Collection of Bilateral Treaties..., 1971: 444).

Iranian officials provided utmost amenities for Japanese staff and specialists in order to attract the attention of the Japanese for comprehensive cooperation aimed at the development of industry in Iran. After the success of the previous cooperation between Iran and Japan, new treaties were signed between the two countries, one of which was the contract to establish a communication research centre in Iran.

This agreement which contained a preface, ten articles and five appendices, was signed by the autonomous representatives of the two sides and presented to the National Assembly in Tehran on August 16, 1970. When this bill was sent on November 9th, 1970 along with a letter from the Prime Minister to the National Assembly, the need to form 'a focal location that serves as the brain of the country's communications' was emphasized (Documents of the Islamic Consultative Assembly, retrieval number: 32/43908746).

The National Assembly passed the bill in the session on December 5th, 1970 after making an amendment in a single article in the presence of Keshavarzian, the deputy minister of post, telegraphs and telephones, and the bill was issued for consultation (Documents of the Islamic Consultative Assembly, retrieval number: 32/43908746). After this agreement, the second delegation of Japanese experts arrived in Tehran on June 18th, 1964 to study the telecommunication plans of the third program (Yearbook of the Ministry of Foreign Affairs, 1964: 126).

As a result of this agreement, a communication research center was also being built in Iran. This was justifiable as later; the Japanese experts put their efforts into teaching Iranian specialists. However, the fact that the amount and measure was at the discretion of the Japanese seems to be a negative point. Undoubtedly, certain cases do point towards the fact that the final decision was Iran's to make. A prime example of this was the recruitment of Yuhara. According to documents, Iran had begun recruiting Japanese nationals three decades prior. In continuation to this process, a Japanese

specialist named Yuhara was hired in Iran for the national silk trade in 1951 and a few years later, the Joint Program Commission met in a meeting on July 22nd, 1957. After agreeing to extend Yuhara's employment, the Japanese government voted for Noghan as a specialist at the Silk Joint Stock Company for two years (Documents of the Islamic Consultative Assembly, document ID: 19/90/0/38).

3. Import and Export in Iran-Japan Trade Relations (Trade Balance and Product)

From around the 1940s onwards, the name of Japan can be seen in Iranian commercial sales agencies alongside the names of Germany, the U.S. and Britain. Fooladfar Trading Corporation, which produced lathe, milling and shaper machinery, electric, gasoline and oil motors, different types of engines, industrial equipment, and leather and rubber-belt engines, was the representative of Germany, Britain, Japan, Sweden, Belgium, Italy and France on Sepah Street in front of the Museum of Ancient Iran in Tehran (Mirzaeyee, 2013: 315). Over the next decade, an import corporation for industrial goods, hand and electric machine tools, firefighting

equipment etc. was the representative of Japan and four other countries alongside Fooladfar Corporation. Also, an electro-metal import company played the same role for electrotechnical machinery (Hormozi, 1989: 52). Davood Asil Import Corporation imported agricultural and industrial machinery from Japan. Khalil Akhavan Import and Export Corporation was the exclusive representative of Japan in Iran. Tehransar Import and Export Corporation also represented the Japanese Zuiko Corporation. Hossein Mahboobi Trading Corporation and Mohammad Daneshvar Import and Export Corporation had brought products to Iran with various uses from several Japanese corporations including Mitsubishi Shoji Kaisha, Asaka, Shinnihon and Tokyo. Last of all, the Federal Import and Export Corporation was the representative of Germany and Japan in Iran (Hormozi, 1989: 52).

Iran's foreign trade fell sharply in the years following August 1941. In *Asr-e Eghtesad Magazine*, Iran's export statistics over the two years of 1942 and 1943 are mentioned and compared with the time

before the occupation of Iran and the reductions have been analysed (Letter of the Chamber of Commerce, 1944: 7-8).

With this in mind, 84,201 kilos of black tea entered the country from Bushehr Port from Japan and India in 1941, priced at 7,192,392 Rials (Documents from Bushehr Chamber of Commerce, 2017: 175). In April of the following year, that is, 1942, Iran imported matches, cotton and wool fabrics, shoes, barber accessories, lights, metals, fine china, and haberdasheries from Japan (Documents from Bushehr Chamber of Commerce, 2017: 215).

Towards the end of this decade, Japan came second only to the U.S. in terms of the number of visits to Iran with eleven corporations while the U.S. visited with fifteen corporations (*Chamber of Commerce Magazine*, 1949: 41-48). These statistics show the extent to which the products offered by Japanese corporations had increased in Iran and in the world. In its next two issues, the same magazine introduced two hundred corporations from all around the world to sell their products in Iran amongst which, thirty-two Japanese companies are named

(Chamber of Commerce Magazine, 1949: 41-48).

In 1951, Iran exported oily seeds and fruits, tragacanth, raw buffalo and cattle skins, raw cotton and its husks, pure or blend

silk and hand-woven woolen carpets. In contrast, it imported all kinds of electrical products, vehicles, clothing, food, industrial art and sports and so on.

Table 1 Type of products exchanged between Iran and Japan during 1942-1952 (1320-1330)

Type of products exported from Japan to Iran	Type of products exported from Iran to Japan
Electrical products, vehicles, clothing, food, industrial arts and sports, tea, matches, cotton and woolen fabrics, shoes, barber accessories, lamps, metals, fine china, and haberdasheries	Oil seeds and fruits, tragacanth, raw buffalo and cattle skin, raw cotton and its husks, pure or blend silk and hand-woven woolen carpets

At the end of the 1940s, the total amount of Iran's imports weighed 6,268,421kg worth 120,590,162 rials and the total amount of Iran's exports without calculating crude oil weighed 3,178,259kg worth 109,861,172 rials (Commercial Statistics, 1951: 549-550).

In the early 1950s, Japanese goods were still not well-known for their quality and Iranian goods were not widely purchased in Japan, such that in 1954, the Japanese did not even buy Iranian rice and regularly exported cotton cloth and other artworks which, according to members of parliament, 'are not useful at all'.

The fact that Iran's exports to Japan sometimes reached zero was confirmed by the magazine *Chamber of Commerce*, published during the same years (Detailed talks of the National Assembly, period eighteenth, session: ninety-nine). Over the course of a ten-year study of the exports of Iran and Japan, this magazine writes about the increase of Iran's exports to Japan and also about the exports reaching zero in some years. Although some reports indicate that Iran's exports were zero in 1954, some documents show trade relations between Iranian and Japanese corporations. For

example, Hossein Jourabchi's business house had relations with the Japanese Kantasui Corporation, and sometimes problems and disputes arose between them (Ministry of Foreign Affairs, 1954, File 42, Document 14).

Joseph & Albert Joint Stock Company did business with Mataichi Kayoshiki of Japan (Ministry of Foreign Affairs, 1954, File 42, Document 26). In the same year, the Japanese Consulate made a request to the Iranian government to send Iranian weather information (Ministry of Foreign Affairs, 1954, File 42, Document 43 & 44). By analyzing the available documents in this regard, we realize that Japan's purpose for receiving this information was to know about Iran's product marketing.

Simultaneous to these activities, the Japanese government sent a request to the Iranian government to open a cunhing market in Tehran on July 24th, 1954, which was finally approved by the Minister of National Economy. The items on display in this market were heavy vehicles and other goods (Documents of the Ministry of Foreign Affairs, 1954, File 66, Document 10). Therefore, this year, the Japanese had started activities with

the aim of entering the commercial markets of Iran. Iranians were also more or less thinking of exporting their products to Japan.

In one of the documents, in a report to the Iranian Foreign Ministry in 1955, the Iranian ambassador to France informed them of the shortage of Japanese rice which he had learnt from the Japanese ambassador to Paris and encouraged the ministry to pursue appropriate policies in this regard (Ministry of Foreign Affairs, 1955, File 10, Document 30). Furthermore, on August 21st, 1955, the Iranian embassy warned the Acting Minister of National Economy about the negative balance of trade between Iran and Japan, and he said, "Statistics show that despite the inclusion of oil in Iran's share of exports, the trade balance is in Japan's favor." (Ministry of Foreign Affairs, 1955, File 1/10, Document 107) The few trade relations between the two countries were not continuous because Japan was introduced as Iran's fifth trading partner in 1958. According to Iran's foreign trade statistics, Iran's imports from Japan weighed 50,527,727kg worth 3,453,459,804 rials, and on the contrary, Iran's exports weighed 12,594,206kg worth 147,229,750 rials which shows there was a

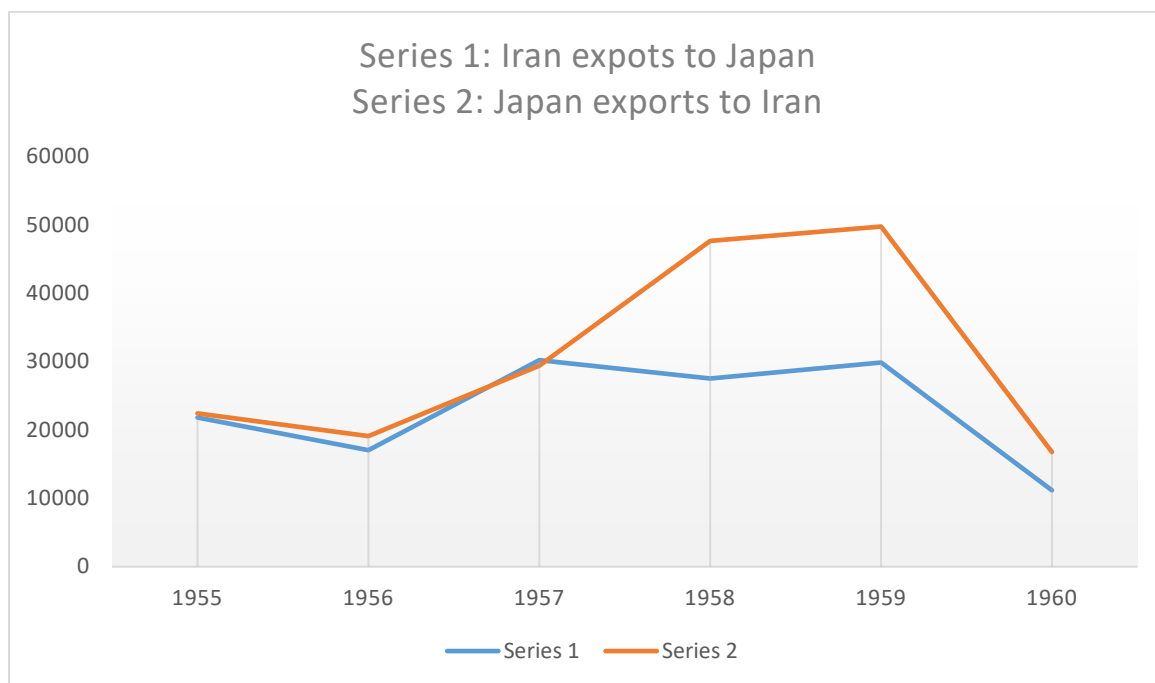
sharp difference in the value of trade between the two countries in favor of Japan (Customs Yearbook, 1959: 210-217). In terms of export value, Japan was fourth and higher than Iran's great northern neighbor, Russia. In 1958,

Nippon Yusen Kabushiki Kaisha Shipping Corporation of Japan was operating in Bushehr (Documents from Bushehr Chamber of Commerce, 2017: 167).

Table 2 Value of Foreign exchange of Iran-Japan transactions (1955-1960)

Year	Japanese exports to Iran	Iranian exports to Japan
1955	\$22,422	\$21,799
1956	\$19,102	\$17,060
1957	\$29,393	\$30,205
1958	\$47,647	\$27,505
1959	\$49,749	\$29,856
1960 (first six months)	\$16,766	\$11,169

Fig. 1. Iran-Japan exports during 1955-1960



According to the above chart, the trade balance between Iran and Japan was not significantly different during the first three years and on the whole, Japan had greater exports. However, from 1958, Iran's imports from Japan increased and this variance continued until the end of the year. During these six years, the main Japanese exports to Iran were cotton textiles, woolen textiles, rayon, rubber tires, and iron and steel products and so on. On the contrary, Japan also imported crude oil, wool, cotton, raisins, carpets, oilseeds and other items (Letter of the Chamber of Commerce, 1960: 58).

It can be said that from the 1960s onwards, Japanese goods were welcomed by Iranians according to the above data and available information, and the use of Japanese industry and technology in Iranian industries grew much more in comparison to the previous years. Ali Naghi Alikhani, Minister of Economy of Iran in 1962, speaks of the strategic importance of Japan in Iran's trade relations while also verifying the quality of Japanese products and using the Japanese management capacity in Iranian industries:

Japan was one of our main sources of receiving new technology. On the other hand, it was the main consumer of our oil in East Suez and when we thought that perhaps we could export liquefied natural gas, Japan once again played an important role. It must be remembered that our oil resources are located in the Persian Gulf; consequently, the Japanese market and the East Suez market are important to us.

Documents from 1961 inform us of the existence of Japanese machine-made carpets in the southern Iranian markets. According to one of these documents, in a letter to the Ministry of Commerce, the head of Bushehr Port Chamber of Commerce warned him against the import of any machine-made rugs and carpets made in Italy and Japan (machine-made rayon carpets) which were available on the southern port markets, so as not to be imported or sold under any circumstances (Documents from Bushehr Chamber of Commerce, 2017: 430-431). In 1963, Japan was ranked seventh in terms of importance of value of goods exported to Iran (Yearbook of Foreign Trade Statistics, 1963: p. B). In 1964, Iran imported 93,787,428.93kg of goods from Japan worth 3,609,768,298 rials, ranked fourth in

terms of the importance of value (Yearbook of Foreign Trade Statistics, 1964: p. H). In the first five months of 1964, the same rank was held by Japan, exporting 29,623,411kg of goods to Iran worth 1,194,984,851 rials (Foreign Trade Statistics, 1964: a).

In the first eight months of the 1968 business year, Japan ranked fourth after Germany, U.S. and Britain in terms of exports to Iran with 9.06% amount of export. This country's exports to Iran weighed 223,028,208kg worth 6,372,640,339 rials (Foreign Trade Statistics, 1968: Import Compression Table). Major exports from Iran to Japan included foodstuffs, minerals, cotton, and skins etc. Iran was Japan's largest export market in the Middle East. In this year, the trade agreement between the two governments was renewed.

On July 10th, 1968, an agreement was signed in Tokyo for a loan of \$17m to finance foreign currency for the purchase of seven pieces of micro-line equipment required by the Ministry of Posts, Telegraphs and Telephones of Iran (Annual Report, 1969: 71-72). In the same year, according to foreign trade statistics, Japan was the fourth largest seller of goods in

the first six months of the year with 5,776,038,683 rials of exports to Iran, whereas the value of Iran's exports to Japan was only 186,228,157 rials in the same period, signifying a sharp difference to the detriment of Iran.

Iran's exports were raw materials and foodstuffs while Japan's exports were industrial goods, various artworks, chemical products, iron, and steel. Iranian officials who had always opposed their negative balance of trade with Japan since 1961 (Mizuguchi, 2002: 99) took steps to expand Iran's share of exports to Japan by investing in Iran's electrical, food and agricultural industries and buying some of the products so they could gradually make a balance between the economic relations of the two countries (Annual Report, 1969: 88-89). However, during those years, in addition to the fact that Iran did not have much export power to Japan, the Japanese government also restricted the import of foreign goods during 1960s and 1970s and rejected the demand of the foreign investors who aspired to own all their branches in Japan and monopolize there.

Moreover, they turned down all joint venture requests in which foreign companies acquired a majority ownership.

Simultaneously, the government restricted the entrance of foreign products into the Japanese market by imposing high tariffs, limiting import quotas and announcing the need for verification and registration, especially for advanced chips. Throughout the first nine months over the ten years (1967-1977), Japan imported the most goods to Iran in terms of weight (20.4%), then the United States (18.06%). At the beginning of the 1970s, Japan continued the growing trend of its exports to Iran and it became the third largest exporter of goods to Iran after West Germany and the United States. The amount of Japanese exports to Iran weighed 826,086,676kg worth 21,090,129,676 rials in 1971 (Business Statistics, 1971: compression table).

Despite the wide range of economic activities and joint investment plans between the two countries, trade between the two countries was still not as balanced as it should have been at the start of the 1970s, and Japan's exports to Iran were nine times greater than Iran's to Japan. 35% percent of Japan's exports to Iran comprised of nylon and non-nylon products, fiber and chemicals, 9.8% were metal materials and electrical products and 39.6% were measuring instruments, truck devices, and electric machines (Annual report, 1971: 81-178). According to the statistics from the Ministry of Economy of Iran, over the first six months of 1971, Iran-Japan trade exchanges compared to the first six months of 1970 were as follows:

Table 3. Iran-Japan trade exchanges (1970-1971) Unit: Thousand dollars

Period	Imports	Percentage	Exports	Percentage	Trade Balance
First six months of 1970	\$93,178	10.49%	\$3,142	2.84%	90,037_
First six months of 1971	\$126,341	13.5%	\$6,350	4.73%	119,991_

According to the information in the table above, there is a great difference in the trade

balance of the two countries which became even steeper in 1971. In 1971, Iran's imports

increased by 35.6% compared to 1970. In contrast, Iran's exports to Japan also increased significantly and showed 102.1% growth (Annual Report, 1971: 81-178). The same trend continued in 1972 and trade relations grew at the same rate.

Table 4. Statistics of trade exchanges between Iran and Japan in the first six months of 1972 compared to a similar period in 1971 (Annual Report, 1972: 81-178)

Period	Iranian exports to Japan	Percent of total Iranian exports	Iranian imports from Japan	Percent of total Iranian imports	Trade Balance
First six months of 1971	\$6,350	4.73%	\$126,341	13.09%	119,991_
First six months of 1972	\$7,688	4.73%	\$155,673	13.5%	147,985_

The volume of trade between the two countries in the first half of 1973 was \$248.3m, which was up \$85m from the same period the previous year (Detailed..., session 201; Annual Report, 1973: 103-104).

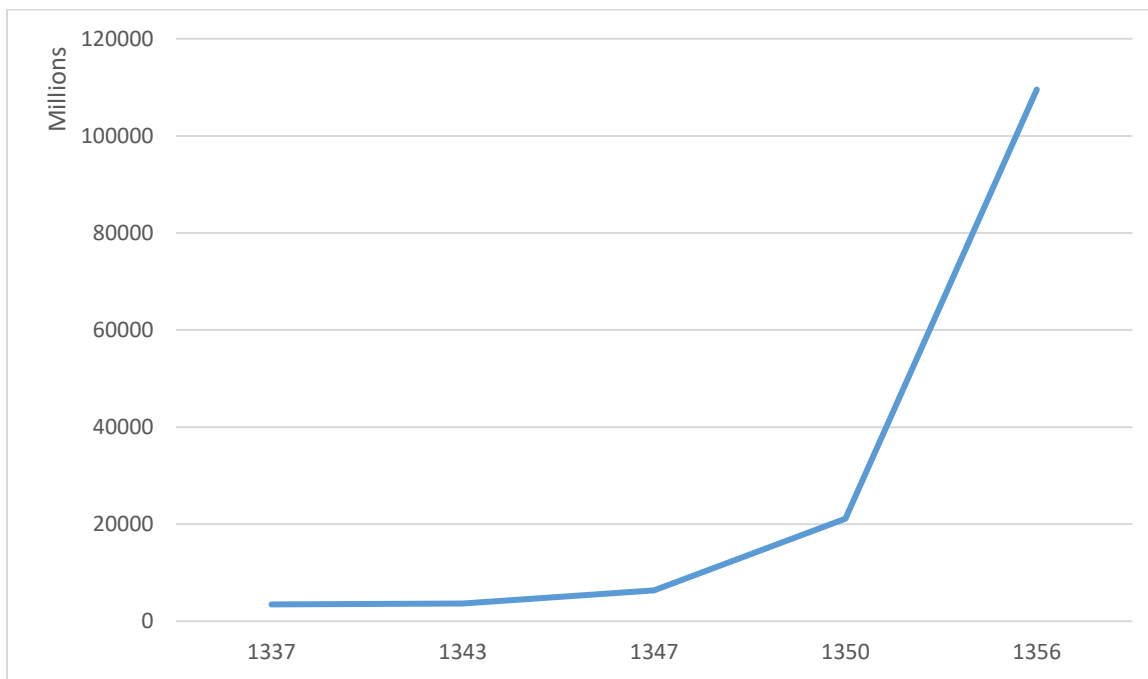
The value of trade between Iran and Japan in the first nine months of 1974 amounted to \$720.8m, increasing by approximately \$472.5m compared to the same period the previous year (Annual report, 1974: 81-178). In

1977, Japan was also the third largest importer to Iran. The Japanese exports to Iran weighed 1,950,251,802kg worth 109,548,050,873 rials, accounting for 15.18% of Iran's import share (Business Statistics, 1977: Table No. 1-1). According to another report, Japan was the second largest exporter of goods to Iran. In this report, West Germany was ranked first and the United States was ranked third (Economic Report and Balance Sheet, 1977: 92).

Table 5. The value of Iranian imports from Japan over two decades (1950-1970)

Year	Import value in rials
1958	3,453,459,804
1964	3,609,766,298
1968	3,396,406,372
1971	67,612,909,021
1977	873,050,568,109

Graph 2. The value of Iranian imports from Japan during the two decades (1958-1978)



This chart shows the value of the Japanese exports to Iran during the two decades of 1958-1978. According to this chart, since the beginning of the 1970s, Japan's exports

suddenly increased. The reason for the increase in Iran's imports in the years leading up to the victory of the Islamic Revolution is due to the increase in oil prices. Imports in the years

leading to 1974 always had a relatively monotonous and slow trend of growth. The reason was that the source of income of the country i.e. the sale of oil had an increasing trend with a gentle pace.

The sudden rise in oil revenues at the time prompted the incumbent government to

intensify its open-door policy (Adeli, 1988: 195).

Table 6 shows the amount of Iranian exports to Japan in comparison with Iran's total foreign exports. Accordingly, unlike Japan's exports to Iran which had an upward trend, Iran's exports to Japan decreased.

Table 6. Value of Iranian exports to Japan exclusive of oil and gas during 1973-1977 (Central Bank of Iran, balance sheet of 1977)

Exports/Year	1973	1974	1975	1976	1977
Total Iranian exports	\$634.7m	\$581.5m	\$592.2m	\$539.9m	\$523.2m
Exports to Japan	\$43.1m	\$31.6m	\$19.5m	\$18m	\$13.7m
Ratio of Iranian exports to Japan regarding total Iranian exports	6:8	4:5	3:3	3:3	2:6

As seen, from the start of 1973 until the end of 1977, the share of Iran's exports to Japan in comparison with total exports gradually decreased.

During the years of the Fifth Development Plan, Japan was ranked 22nd in terms of Iranian exports. In contrast, in terms of Iranian crude oil exports, Japan was ranked second after Western Europe. According to the Ministry of Commerce, most of Japan's

imports were crude oil and constituted the highest percentage of imports (Bourse Magazine, 1966: 2) and the Middle East was a major supplier of Japanese oil (Bourse Magazine, 1967: 101).

Finally, according to the statistics presented in Table 7, Japan became the fourth largest exporter to Iran in the final four years of the Pahlavi regime.

Table 7. Comparison of Iran's imports from the first four countries between 1353 and 1356 (Iranian Customs-Yearbook of Foreign Trade Statistics)

Country/Year	1974	1975	1976
West Germany	49584	138876	198250
United States	33017	158198	165726
Japan	37159	126664	163972
The United Kingdom	23793	70659	72885

Conclusion

Iran-Japan relations increased to an unprecedented level after World War II until the victory of the Islamic Revolution. This expansion of relations stemmed from several factors, the most important of which was the intellectual and ideological affiliation of both countries to the Western bloc, led by the United States. In Iran, the acceptance of Japanese technology dates back to earlier times, and this country was considered an ideal example of progress amongst Asian countries. Therefore, with the consent of the members of the National Assembly of Iran, the government recruited Japanese citizens in Iranian industries in some cases. These recruitments preceded the extensive economic agreements between Iran and Japan, which led to the arrival of Japanese specialist workers in Iran.

After defeat in World War II, Japan needed to establish relations with countries which had primary energy, such as Iran, to find a way out of their deplorable economic situation. Thus, in the midst of the Iranian oil embargo, a Japanese company seized the opportunity and bought the sanctioned Iranian oil at a cheaper price than the world market and sent it to Japan.

On the other hand, Iran also expanded its relations with Japan after the August 19th coup d'état in 1953. As a result, the amount of trade relations between the two countries increased subsequent to the diplomatic and political meetings of the leaders of the two countries which facilitated an extensive trade relationship. However, the balance of trade relations was in Japan's favor. The Iranian government's efforts to homogenize the level of

trade had been successful in a few cases, but in the long run, it failed. Eventually, during this period, Japan became Iran's third largest trading partner. Free market economic



philosophy by the two countries led to a large Japanese investment in Iran, and commercial, industrial, and service contracts were signed.

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بررسی روابط تجاری ایران و ژاپن در دوره پهلوی دوم

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چکیده

ژاپن، یکی از شرکای مهم و تأثیرگذار در اقتصاد ایران دوره پهلوی دوم بود. با وجود این، پژوهشی درباره تأثیر این کشور و مبادلات تجاری آن با ایران انجام نشده است. پژوهش حاضر با تکیه بر اسناد، درصدد پاسخ به این پرسش است که روابط تجاری ایران و ژاپن در دوره مذکور چه فراز و فرودی را طی کرد و مناسبات سیاسی چه تأثیری در روند این روابط داشت؟ افزون بر این، نوع کالا، حجم و ارزش تقریبی آن‌ها و ابعاد و گستردگی مبادلات دو کشور نیز بررسی می‌شود. براساس نتایج تحقیق، نزدیکی ایران و ژاپن به بلوک غرب در پیشرفت روابط تجاری دو کشور تأثیر گذار بود. بر همین اساس، ژاپن در حوزه نفتی، به یکی از بزرگترین خریداران نفت ایران تبدیل شد و در مقابل، ایران به استخدام اتباع متخصص ژاپنی در زمینه‌های صنعتی و اقتصادی پرداخت و موافقتنامه‌های گوناگونی بین دو کشور به امضاء رسید. با این حال، تراز تجاری این روابط، به سود ژاپن بود. تلاش‌های دولت ایران برای همگن‌سازی سطح تبادلات تجاری در موارد اندکی موفقیت‌آمیز بود، اما در بلندمدت با شکست مواجه شد. در نهایت اینکه در این دوره، ژاپن به سومین شریک تجاری ایران تبدیل شد.

واژه‌های کلیدی: ژاپن، روابط تجاری، پهلوی دوم، محمدرضا شاه



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