



**Gulf Research Center**  
Knowledge for All

# Japan - GCC Relations



March 2023



## Key Domestic Developments

Following the start of the Ukraine conflict, Japan has faced several geopolitical risks, including threats from Russia, China, and North Korea, with these challenges being compounded by the sudden loss of former Prime Minister Shinzo Abe. A weak Japanese YEN together with sharply rising energy prices have been reflected in the economic data, impacting both the trade balance and triggering higher inflation. The Bank of Japan's previous policy of maintaining low interest rates has been challenged, along with the economic underpinnings of Abenomics.

Yoshihide Suga, Abe's Chief Cabinet Secretary, took office after Abe's resignation in 2020 with two main priorities in mind: to tackle the COVID-19 pandemic and to deal with a worsening economy. In 2020, Japan's economy shrank by 4.8%, its first contraction since 2009. The government announced multiple rounds of economic stimulus aimed at pulling the world's third-largest economy out of its slump. When Fumio Kishida took

office as Prime Minister in October 2021, he announced the lifting of the previous state of emergency COVID restrictions, as the rate of infections sharply decreased. But just as the economy was beginning to show signs of recovery, the Ukraine conflict and the subsequent rise in energy prices brought forward another crisis to confront. Japan clearly positioned itself as a leading member of the G7 and as the strongest U.S. ally within the Asian region. Japan will chair the G7 summit in Hiroshima in May 2023.

Alongside these developments, Japan undertook a review of its energy policies, both in response to the various geographical risks as well as reflecting the need to adopt greener energy strategies in order to reduce carbon emissions. Japan has also recognized the need to diversify the source of its energy supplies away from its traditional dependence on GCC countries and to look at securing additional supplies from neighboring Asian countries as well as from Australia and Canada.





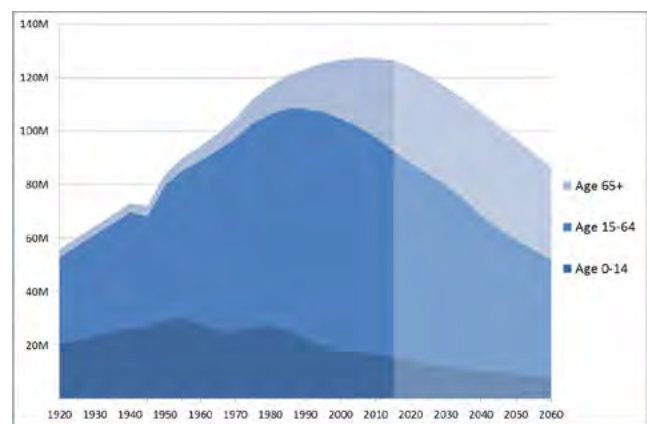
Domestically, the Liberal Democratic Party (LDP) won by a landslide in July 2022, against the opposition in the Upper House election. By taking 63 seats, or more than half of the 125 total seats, up for re-election, it was considered a sweeping victory for the LDP which, despite ruling the country for the last 60 years only suffered a small number of losses. The days immediately prior to the election were marked by country-wide shock in response to the assassination of former Prime Minister, Shinzo Abe. His sudden death caused some disruption to the election process as Prime Minister Kishida denounced the act as an attack on democracy. Despite the shock, Abe's death in some ways gave the LDP and the election more legitimacy. Some observers noted that Abe's assassination may have generated a sympathy vote, with turnout climbing to 52%, up 3.5% from 48.8 % recorded in the 2019 Upper House election. In a public poll conducted in Japan on the day of the voting, 15% of the voters said that Abe's death influenced their vote in favor of the LDP candidates.

Inevitably, domestic developments in Japan reflect world events, which have consequently impacted its economy and foreign policy priorities. The Japanese government's strong Covid restriction program was one of the most destabilizing factors affecting the domestic economy with the repercussions continuing to be felt. The Ukraine War has clearly impacted developments, not only in terms of rising energy prices but also as a trigger sharpening the competition for global influence and undermining the economic benefits and trading structures of globalization. Shifts in the balance of global power have forced a repositioning of Japan's diplomatic and defence policies, as well as its attitude towards

energy security. This may well usher in a new era in Japan's relationships not only within the Asian region but also with the wider world including China and Russia, as well as the G7, NATO, and GCC countries.

**Fig 1. Trends in the Ageing Population and Projection for the Future**

Source: Annual Report on the Aging Society (2020)



**Key Economic and Social Data:**

- GDP: \$4,937.42 Billion (2021)
- GDP per capita: \$39,285.2 (2021)
- Annual Growth Rate: 1.6% (2021)
- Inflation: 2.5% (2022)
- Population: 125.31 million (2021)
- Unemployment Rate: 2.80% (2021)
- Credit Rating: Standard & Poor A+ with stable outlook

**Fig. 2. KPMG Forecasts for Japan**

Source: Cabinet Office of Japan, KPMG analysis

Table 6: KPMG forecasts for Japan

	2021	2022	2023
GDP	1.7	2.8	1.8
Inflation	-0.2	1.0	0.4
Unemployment rate	2.8	2.6	2.5

Source: Cabinet Office of Japan, KPMG analysis.

Note: Average % change on previous calendar year except for unemployment rate, which is average annual rate.



## Japan's Foreign Policy

According to the annual Diplomatic Bluebook, which was last published in December 2021, the key aspects of the Japanese government's vision are to ensure a strong and stable presence together with strong diplomatic relations within the Indo-Pacific region. This reflects the rising direct and indirect national security threats and recognition of the importance of strengthening Japanese alliances, both in the region and worldwide, particularly with the United States.

In order to achieve these aims Japan is focused on strengthening the Japan–U.S. alliance, rebuilding relationships with the Republic of Korea and Taiwan, as well as developing strategic and mutually amicable diplomacy

toward China, Russia, and India. Building functional diplomatic relationships with neighboring countries such as China, the Republic of Korea, and Russia is particularly important for Japan's national security given the historically contentious nature of their relationships and their close geographic proximity. Japan has ongoing territorial disputes with these three bordering countries, which makes them key policy imperatives.

### Seven Priority Areas for Japan's Foreign Policy

- (1) Strengthening the Japan-U.S. alliance, considered the cornerstone of Japan's diplomacy
- (2) Promoting the vision of a "Free and Open" Indo-Pacific (FOIP)
- (3) Diplomatic arrangements with neighboring







countries, such as China, the Republic of Korea, and Russia

(4) Addressing issues of concern regarding North Korea

(5) Addressing the situation in the Middle East

(6) Leading international efforts to support a new rule-based order

(7) Addressing the implications of climate change.

the capacity for maritime law enforcement, HA/DR cooperation, etc.). Thus, together with its FOIP policy, Japan wishes to position itself as a duality in terms of being both a competitor to and a trading partner with China. Additionally, Prime Minister Abe participated in the formation of AUKUS in September 2021, which included support for the development and deployment of nuclear submarines in Australia. Some concerns have

**Fig 3: Free and Indo Pacific Document**



Source: Japanese Ministry of Foreign Affairs <https://www.mofa.go.jp/files/000430632.pdf>

After his second term election in 2012, Prime Minister Shinzo Abe began to promote the Free and Open Indo-Pacific Strategy (FOIP). Through FOIP, Japan aimed to enhance democracy, the rule of law, and the market economy both within Asia and globally.

There are three main pillars of FOIP. First, the promotion and establishment of rule of law, freedom of navigation, free trade, etc. Second, the pursuit of economic prosperity (improving connectivity and strengthening economic partnerships including EPA/FTAs). Third, a commitment to peace and stability (building

been voiced that this alliance will hollow out the existing FOIP security cooperation. However, under FOIP while economic and technical cooperation is possible, substantive security issues are not an integral part of the arrangements.

The QUAD (Quadrilateral Security Dialogue) is a strategic security alliance between Australia, India, Japan, and the United States. The QUAD envisions an “Asian Arc of Democracy,” to ultimately include countries in Central Asia, Mongolia, the

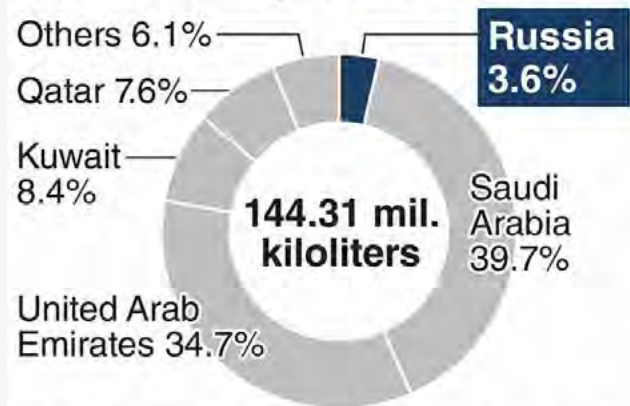


Korean Peninsula, and other countries in Southeast Asia. Among many things, the QUAD's formation reflects China's growing assertiveness in the Asia-Pacific region and a growing consensus that a joint pushback is required to ensure regional stability is maintained. As such, the QUAD is evidence of Japan's determination to exert its influence in Asia and beyond.

Another priority area for the Japanese government is its relationship with the Middle East, given the dependency on energy imports from that region. Some 90% of Japan's consumption of oil comes from the GCC, and 16% of its LNG use come from Qatar, Oman, and the UAE. This dependency intensified following the earthquake that hit Japan in 2011 which resulted in the nuclear reactors of Japan being shut down and fossil fuels once again being used for electricity generation in addition to other energy sources.

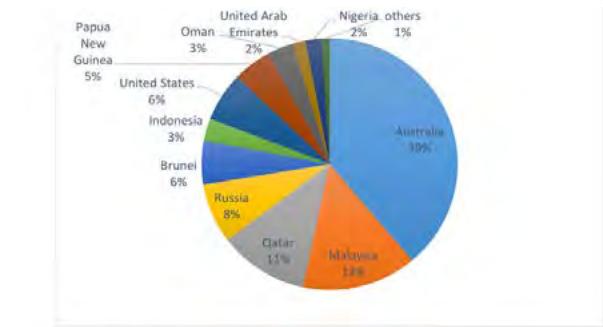
**Fig. 4 Japanese imports of crude oil by source, 2021**

**Japanese imports of crude oil**



Trade statistics as of 2021. Figures have been rounded off, so the total does not equal 100%.

**Fig. 5 Japanese LNG imports by source, 2020**



Source: GECF, ICIS LNG Edge





## Japan Trade in Goods with GCC Countries in 2021 (USD)

Source: Comtrade

Country	Export	Import	Balance of Trade
Saudi Arabia	\$12.08 Billion	\$6.06 Billion	\$-6.02 billion
United Arab Emirates	\$2.54 billion	\$10.86 billion	\$-8.32 billion
Qatar	\$11.84 Billion	\$909.52Million	\$10.9 Billion
Oman	\$35.62 Million	\$1.23 Billion	\$-1.2billion
Bahrain	\$29.35 Million	\$700.64 Million	\$-671.29 Billion
Kuwait	\$15.08 K	\$117.86 Million	\$-117.8 Million

### Key Japan Officials with Responsibility for the Middle East

- Director-General/Assistant Minister  
Mr. Nagaoka, Kansuke
- Deputy Director-General/Deputy Assistant Minister: Mr. Hara, Keiichi
- Deputy Director-General/Deputy Assistant Minister:  
Mr. Nishinaga, Tomofumi.
- Special envoy to the Middle East:  
Mr. Kono Masaharu
- Director of First Middle East Division:  
Mr. Tada, Masahiro
- Director of Second Middle East Division:  
Mr. Kuromiya, Takayoshi
- Director-General of African Affairs Department: Mr. Yonetani, Koji

### Establishment of Diplomatic Relationships

Japan-GCC Diplomatic Relations: Saudi Arabia (1958), Kuwait (1961), UAE (1971), Qatar (1972), Oman (1972), Bahrain (1972).

### Current Diplomatic Representation

- Ambassador of Japan to Saudi Arabia:  
Mr. Iwai Fumio
- Ambassador of the Kingdom of Saudi Arabia to Japan: Mr. Naif Al-Fahadi
- Japanese Consulate General Jeddah:  
Shimmura Izuru

### Key Research Centers and Think Tanks

- [Japan Institute of International Affairs \(JIIA\)](#)
- [The Research Institute of Economy, Trade and Industry \(RIETI\)](#)
- [Japan Policy Research Institute \(JPRI\)](#)
- [The National Institute for Defence Studies \(NIDS\)](#)
- [The Institute of Energy Economics \(IEEJ\)](#)
- [Japanese Institute of Middle Eastern Economies \(JIME\)](#)
- [Asian Development Bank \(ADB\)](#)
- [National Graduate Institute for Policy Studies \(GRIPS\)](#)
- [National Institute for Research Advancement \(NIRA\)](#)
- [Sojitz Research Institute](#)

### Selected Key Japanese Experts on the Middle East

- Hosaka Shuji, Senior Research Fellow, Vice President of the Japanese Institute of Middle Eastern Economies (JIME).
- Ambassador Shigeru Ando, former Japanese Ambassador to Saudi Arabia
- Dr. Shigeto Kondo, Research Fellow at JIME
- Dr. Namie Tsujigami, Associate Professor at Sophia University



- Mr. Fujimoto Yuko, Acting Director of Motoko Katakura Foundation for Desert Culture

### **Selected Key Regional Experts**

- Ambassador Dr. Abdulaziz Turkistani, Former Saudi Ambassador to Japan
- Dr. Masoud Dhaher, UAE Center for Strategic Studies
- Dr. Abdullah Baabood, Omani Academic and Professor at Waseda University
- Ambassador Khalil Hassan, Bahraini Ambassador to Japan
- Faisal Al-Subai, Expert on Kuwait and Japan relations

### **Key Recent Literature**

- Amane Kobayashi, “Challenges for Japan in Integrating the Middle East and Africa into the Free and Open Indo-Pacific Strategy/Vision,” in *The Changing Security Environment in the Middle East and the Role of the U.S. – Japan Cooperation*, JIME Center, The Institute of Energy Economics, Japan, April 2020, <https://jime.ieej.or.jp/html/extra/report/cgp2019.pdf>.
- Dr. Shun Watanabe, “Japan’s foreign policy toward Gulf countries: Challenges for the Kishida government,” *Trends Research*, <https://trendsresearch.org/insight/japans-foreign-policy-toward-gulf-countries-challenges-for-the-kishida-government/>
- Narayanappa Janardhan, *Japan’s Oil Diplomacy in the Gulf: Old Idea, New Approaches*, The Arab Gulf States Institute in Washington, <https://agsiw.org/japans-oil-diplomacy-in-the-gulf-old-idea-new-approaches/>

### **Key Developments in Japan-GCC Relations**

#### **Japan-GCC**

- In June 2022, H.E. Dr. Nayef Falah M. Al Hajraf, former Secretary General of the Gulf Cooperation Council (GCC), and H.E. Mr. Nagaoka Kansuke, Assistant Foreign Minister and Director-General for Middle Eastern and African Affairs Bureau at the Ministry of Foreign Affairs of Japan discussed ways to enhance the GCC-Japanese relations.
- The Ambassadors of the Gulf Cooperation Council countries to Japan held a coordinating meeting in Tokyo in March 2022 stressing the continuation of joint work to progress the common ties among the GCC states.

#### **Japan-Saudi Arabia**

- In July 2022, Prime Minister of Japan Fumio Kishida received Prince Faisal bin Farhan, Saudi Minister of Foreign Affairs, in Tokyo during his official visit to Japan. During the meeting, they reviewed bilateral relations between the two countries and discussed ways to develop and strengthen them. They also reviewed prospects for cooperation in accordance with Saudi Vision 2030 and discussed regional and international issues of common interest.
- The Saudi Ministry of Investment and the Japanese Ministry of Economy, Trade, and Industry co-organized in December 2020 the fifth ministerial meeting within the Saudi-Japanese Vision 2030. During the meeting, Khalid Al-Falih delivered a speech in which he indicated that the ministerial





meeting represents a major step in the historical relations between the two countries, stressing commitment to the next phase of Saudi Arabia and the Japan 2030 Vision. In affirming Japan as one of the Kingdom's closest economic partners, he underlined Saudi Arabia's commitment to enabling Japanese investors to expand their investment opportunities in the Kingdom. An example of this type of economic exchange is Saudi Arabia's investment in SoftBank's Vision Fund, which in turn will see SoftBank investing in Saudi's new high-tech city NEOM.

### Japan-United Arab Emirates

- 2022 marks the 50th anniversary of the Japan-UAE diplomatic relationship that was first established in 1962.
- In June 2022, the UAE's Industry and Advanced Technology Minister Sultan Al-Jaber visited Japan and met with senior Japanese government officials and business leaders to discuss ways to strengthen ties. The meetings focused on strengthening the two nations' economic, energy, and industrial cooperation as well as plans to drive low-carbon growth opportunities.
- In February 2022, during the session of the Abu Dhabi-Japan Economic Council (ADJEC), Japanese investors and entrepreneurs were urged to benefit from the investment opportunities that exist within Abu Dhabi. Japan's FDI stock was estimated at over \$4 billion in 2021, while UAE's outward FDI


stock in Japan is valued at around \$2.1 billion. Although investments by Japanese multinational companies have recently declined, new business opportunities have been developed between the two countries, such as Japan's first fuel ammonia cooperation deal with ADNOC.

### Japan-Qatar

- In March 2022, Japan's Foreign Minister Yoshimasa Hayashi congratulated Qatar on the 50th anniversary of establishing diplomatic relations and pledged efforts to strengthen bilateral cooperation in various fields, including energy. Qatar exports an average of 7.2 million tons of oil to Japan each year. This however has changed after the termination of the long-term LNG supply contract in December 2021 and now amounts to some 2 million tons per year as Japan seeks to diversify its sources of energy. The two leaders confirmed that Qatar and Japan will cooperate toward stabilizing the international energy market.
- The First Japan-Qatar Strategic Dialogue took place in 2021, as the countries upgraded their relationship from a bilateral to a more comprehensive structure.

### Japan-Oman

- In June 2022, official talks were held between the Foreign Ministries of Oman and Japan in Muscat. The session focused on aspects of bilateral cooperation between the two countries and ways of enhancing them. Also



discussed were several regional and international issues of common interest, including the economy and investment opportunities. Regarding Ukraine, the ministers stressed their strong condemnation of Russian aggression against Ukraine and recognised the importance of the role of the United Nations in ensuring compliance with international law and the UN Charter.

### Japan-Bahrain

- In April 2022, the foreign ministers of Bahrain and Japan held talks in which they expressed their intention to foster a closer bilateral relationship. The Japan-Bahrain Investment Agreement, which came as the two sides marked the 50th anniversary of the establishment of diplomatic relations in 2022, aims to further protect and promote investment between the parties. The investment environment in Bahrain is relatively favorable and Japanese companies are already active in sectors there such as manufacturing, finance, and trade. Additional investment in Bahrain by Japanese companies is expected, including in large-scale projects.

### Japan-Kuwait

- In August 2022, Kuwaiti Foreign Minister Sheikh Dr. Ahmad Al-Sabbah met with the Parliamentary Vice-Minister for Foreign Affairs of Japan, Mr. Honda Taro, during his official visit to Kuwait. During the meeting, they discussed mutually beneficial ties between the two countries, as well as recent regional and international developments.

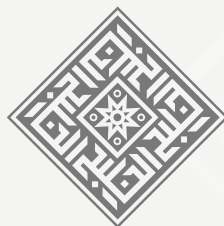
- Japan's Foreign Minister Hayashi expressed his gratitude for Kuwait's provision of a stable supply of crude oil to Japan over the years and expressed his hopes for Kuwait continuing to play a leading role in stabilizing the international oil market.

### Supporting Documents

- Saudi-Japan Vision 2030 File <https://www.mofa.go.jp/files/000237093.pdf>

### GRC Relevant Publications and Works:

- *GRC Publication*: GCC-Japan Relations: Kuwait Looks toward the East, Jan 2009. <https://www.grc.net/publication/352>
- *GRC Publication*: Gulf Cooperation Council Relations with Japan, Jan 2009. <https://www.grc.net/publication/213>
- *GRC Publication*: Chairman Sager and GRC Trip to South Korea and Japan, April 11-17, 2013, <https://www.grc.net/publication/15>
- *GRM 2022 Workshop*: Gulf States and the Indo-Pacific: Agents or Objects of Geopolitical Competition? Paper submitted: "Hedging, Balancing, or Choosing? Indo-Pacific Rivalry, the Rise of Minilateralism, and the Arab Gulf States" by Matthew Gray, School of International Liberal Studies, Waseda University, Japan.



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