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ACTION EB-11
INFO OCT-01 EA-11 NEA-10 ISO-00 SAM-01 AEC-11 AID-20
   CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01
   H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07
   RSC-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04
   USIA-15 PRS-01 DRC-01 /170 W
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P R 081035Z MAR 74
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 491
INFO AMEMBASSY BEIRUT
AMEMBASSY BONN
AMEMBASSY TEHRAN
CONFIDENTIAL TOKYO 3150
CONFIDENTIAL BEIRIT PASS USINT BAGHDAD

E.O. 11652: GDS
TAGS: ENRG, JA, IR, IZ
SUBJ: IRANIAN EXPORT REFINERY

REF: A. TEHRAN 1775 B. TOKYO 2149

SUMMARY: PRESS REPORT THAT IRAN HAS REJECTED PROPOSED
COOPERATION BY JAPAN IN EXPORT REFINERY PROJECT, PARTLY
DUE TO UNHAPPINESS OVER JAPAN-IRAQ COOPERATION. MITI
SOURCES, HOWEVER, SAY TALKS WITH NIOC WILL CONTINUE.

1. LEADING JAPANESE ECONOMIC DAILY, NIHON KEIZAI, CARRIED
FRONT PAGE REPORT MAR 8 THAT IRANIAN GOVT HAS
TURNED DOWN JAPANESE PROPOSAL TO BUILD LARGE SCALE
REFINERY IN THAT COUNTRY. ARTICLE SAYS THAT IRANIAN
GOVT GAVE AS FORMAL REASON FOR THE REJECTION VAGUE
JAPANESE STATEMENTS ON SIMULTANEOUS CONSTRUCTION OF
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REFINERY AND PETRO-CHEMICAL INDUSTRY COMPLEXES.
HOWEVER, ARTICLE SPECULATES THAT REAL REASON BEHIND IRANIAN ACTION IS UNHAPPINESS WITH JAPANESE CONSIDERATION OF LONG TERM AID-FOR-OIL AGREEMENT WITH IRAQ. (SEE TOKYO 2473)

2. GOJ SOURCES IN BOTH MITI AND FONOFF MAINTAIN THAT REPORT IS NOT ENTIRELY ACCURATE. THEY SAY PRESS STORY PROBABLY BASED ON CONVERSATION THAT JAPANESE AMBASSADOR TO TEHRAN, ARITA, HAD WITH TRADE MINISTER ANSARI "ABOUT ONE WEEK AGO". ARITA, ACCORDING TO MITI SOURCE, ASKED ANSARI WHETHER IT WOULD BE POSSIBLE FOR JAPANESE TO CONSIDER THE REFINERY PROJECT SEPARATELY FROM PETRO-CHEMICAL PROJECT. ANSARI REPLIED THAT IRANIAN GOVT DID NOT WANT TO CONTINUE TALKS WITH JAPAN UNLESS JAPAN WERE WILLING TO MAKE SIMULTANEOUS COMMITMENT TO BOTH PROJECTS.

3. DURING COURSE OF CONVERSATION WITH ARITA, ANSARI MADE SEVERAL SNIDE REMARKS ABOUT JAPAN-IRAQ DISCUSSIONS. ANSARI, ACCORDING MITI SOURCE, SARCASTICALLY CONGRATULATED AMBASSADOR ARITA ON MORE SUCCESSFUL TALKS JAPANESE HAVING ON A SIMILAR REFINERY PROJECT UNDER CONSIDERATION WITH IRAQ. ANSARI ALSO SAID THAT HE UNDERSTOOD JAPAN WAS OFFERING BAGHDAD ONE BILLION DOLLARS IN CREDITS AND WAS NOT WILLING TO OFFER IRAN MORE THAN THIS FIGURE. IRANIAN, ANSARI SAID, WERE SOMEWHAT SURPRISED WITH THIS EQUALITY OF TREATMENT ACCORED BY JAPAN TO IRAQ AND IRAN.

4. MITI DOES NOT BELIEVE THAT ANSARI'S REMARKS REPRESENT TERMINATION OF DISCUSSIONS ON REFINERY PROJECTS AND NOTES THAT NIOC DESIRES TO CONTINUE NEGOTIATIONS WITH JAPAN. SHOESMITH

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