

RELEASE IN PART 1.4(B),B1,B5,1.4(D)
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From:	Hanley, Monica R <HanleyMR@state.gov>	B1
Sent:	Wednesday, February 29, 2012 8:39 AM	1.4(B)
To:	H	1.4(D)
Subject:	From Wendy Sherman -- will have this printed for you as well	B5

Classified by DAS, A/GIS, DoS on 10/30/2015 ~ Class: CONFIDENTIAL ~ Reason: 1.4(B), 1.4(D) ~ Declassify on: 02/28/2027

Wendy Sherman asked that I pass to S that [REDACTED]

TOKYO, Feb 29 (Reuters) - Japan will likely avoid U.S. sanctions against Iran as it is continuing to reduce imports of Iranian oil, Foreign Minister Koichiro Gemba said on Wednesday.

The sanctions, aimed at pressuring Tehran to prevent its nuclear programme being used to make weapons, will punish financial institutions that deal with Iran's central bank, the channel for oil transactions.

A breach of the sanctions could result in companies being shut out of the U.S. market, which could prevent Japan's biggest banks from operating in the world's largest economy.

Japan has been in talks with Washington to obtain a waiver, which can be granted if there is a significant cut in trade with Iran. Tokyo had already cut its oil imports from Iran by 40 percent over the past five years, and is offering to make further cuts.

"We are in the final stages of talks concerning targets of the sanctions, and mutual understanding has considerably deepened," Gemba told a news conference.

"I don't think we are in a situation where we need to be concerned about becoming a target of the sanctions."

U.S. Secretary of State Hillary Clinton acknowledged Japanese efforts on Tuesday, telling a Senate panel: "They have been reducing their imports from Iran in the range of 15-20 percent since last year because we have been working with them and talking to them."

A waiver would protect Japan's big banks -- Mitsubishi UFJ Financial Group, Mizuho Financial Group and Sumitomo Mitsui Financial Group -- from being punished for handling payments to Iran.

Gemba did not mention specific reduction targets, citing a potential market impact, but the government has said it intends to keep cutting oil purchases from Iran.

Clinton said some countries could not stop Iranian oil imports "cold turkey" and pointed to "unique situations" Japan faces, noting the impact of last year's earthquake and the ensuing nuclear crisis.

Japan, the world's third-biggest oil importer, last year bought almost 9 percent of its crude from Iran and its dependence on fuel imports has increased because almost all its power-generating nuclear reactors are idled due to public safety fears over the Fukushima radiation crisis triggered by last year's disaster.

Japanese buyers of Iranian oil, such as refiners and trading houses, have delayed annual contract talks until the outcome of government negotiations on a waiver.

Figures released by the Ministry of Economy, Trade and Industry (METI) on Wednesday showed Japan's imports of crude oil from Iran fell 22.5 percent in January from a year earlier.

That was deeper than a drop of 12.2 percent shown by customs-cleared data from the ministry of Finance on Tuesday.

The oil industry pays more attention to the METI data because it tracks the actual import status of oil tankers.