

# Japan's Expanding Relations with Iraq in 1970s –80s

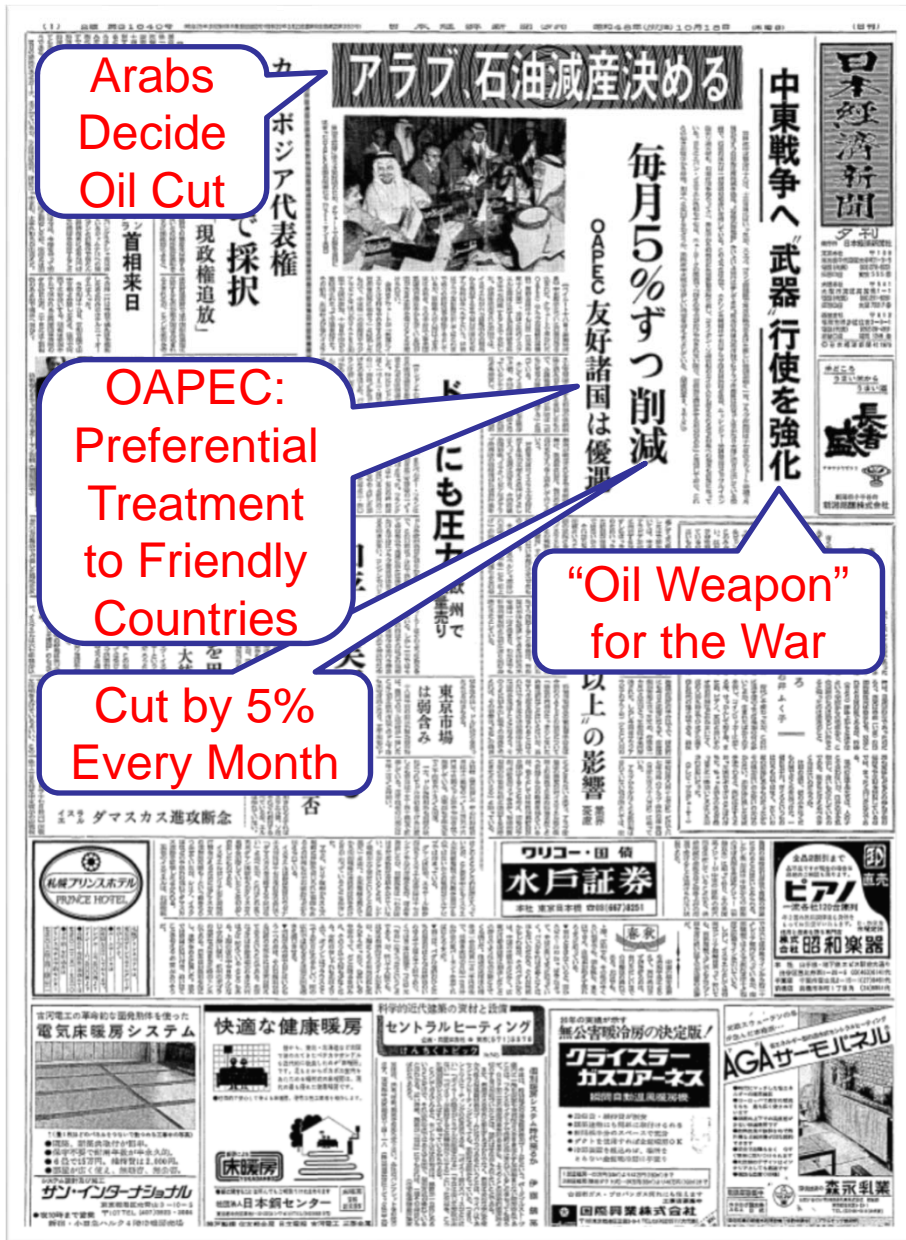
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JIME Center – IEEJ

Akiko Yoshioka





Source: Nihon Keizai Shimbun, 1973.10.18

# Oil Crisis in 1973

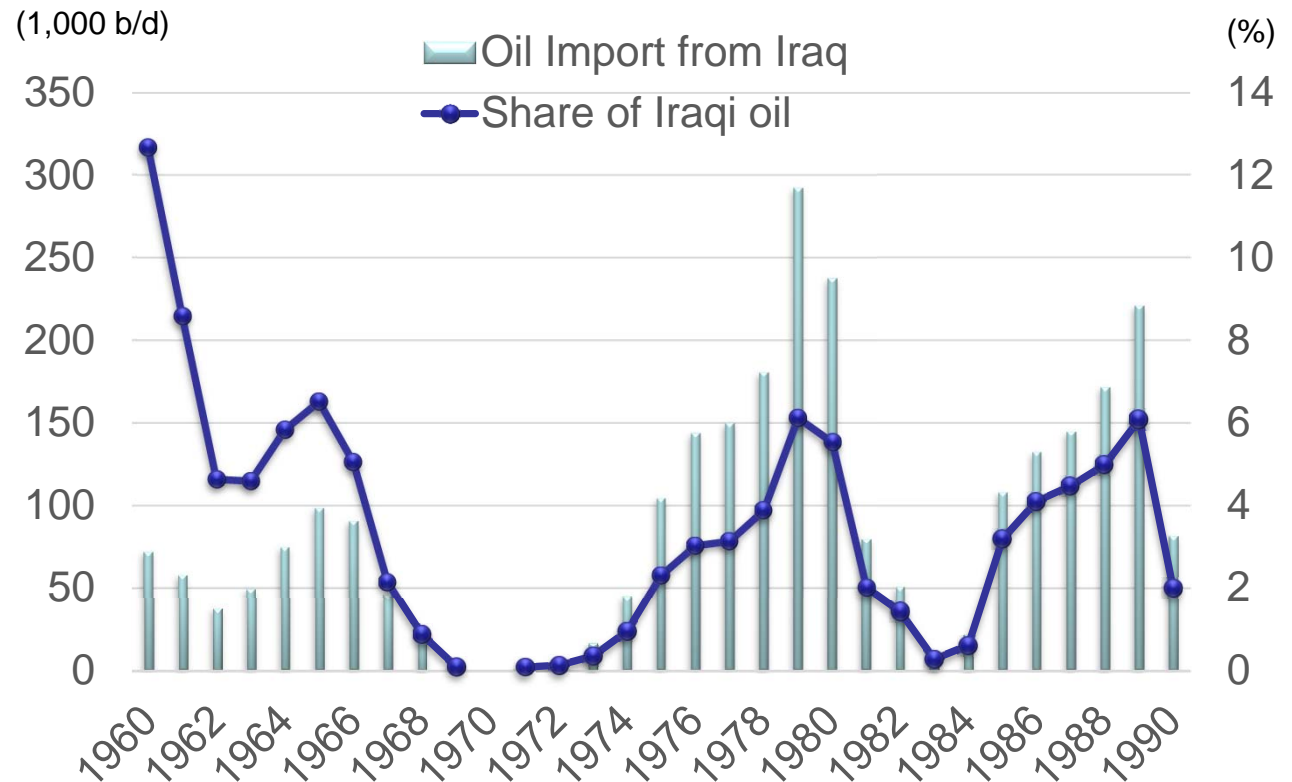
- Japan classified as a “unfriendly” country
  - subject to supply cut, which caused consumer price hike and social panic
- totally caught in surprise
  - relied on “oil majors” for more than 70% of oil import
  - with very limited knowledge of Arab gulf states
  - USA, while asking support for Israel, did not promise to secure oil for Japan

# Oil Import Statistics

## Japan's Oil Import in 1972

	(1,000 b/d)	
Iran	1,585	37%
Saudi Arabia	710	17%
Kuwait	386	9%
Neutral Zone	354	8%
UAE	272	6%
Oman	124	3%
Iraq	5	0%
Qatar	1	0%
Others	819	19%
Total	4,256	100%

Source: Data from MITI



Source: Data from Petroleum Association of Japan



# High-Level Negotiations

- Cabinet Secretary Nikaido issued the statement in Nov 1973
  - Which imply a possibility to “reconsider” the relations with Israel
- Deputy PM Miki visited 8 states as an envoy in Dec 1973
  - Contributed to the OAPEC decision to include Japan among “friendly countries”
  - Iraqi industry minister welcomed Japan’s “proactive attitude”
- Trade Minister Nakasone and Economy Minister Azzawi visited each other in 1974
  - Signed an economic and technical cooperation agreement
  - Yen loans (\$250 million) and export credit (\$750 million)
    - \$1 billion export credit added, responding to Iraq’s request.



# Economic and Technical Cooperation Agreement

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1. *Japan will take all possible measures for the realization of economic development projects; cooperate with Iraq for the extension of yen loans...*
  2. *Iraq will facilitate the conclusion and smooth implementation of long-term contracts between INOC and Japan for the stable supply of crude oil...*
  3. *Dispatching Japanese experts to Iraq; providing Iraqi trainees with fellowships for technical training in Japan*
  4. *A Joint Committee will be established; meet at least once a year...*
- 
- Trade Minister Nakasone said, “*This agreement will help to establish a close and collaborative relationship with Iraq, which has been rather unfamiliar with Japan.*”

Source: Nihon Keizai Shimbun, 1974.08.13.

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# Historical Backgrounds in 70s

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- In Iraq
  - Started to take the open-door policy for economic development, shifting from Eastern Bloc
  - Signed economic agreement with France, West Germany, UK and Japan since 1974
  - Squashing Kurdish rebels in 1975 made nation-wide development plans possible
  - In the 1975 annual budget, the capital expenditure exceeded the current expenditure, 43%, which had accounted around 70% until 1974.
- In Japan
  - “Miracle age” in the late 1950s and 1960s ended and construction companies were looking for business chances overseas.



# Japan's ODA Projects

- **Khor al-Zubair Chemical Fertilizer Plant** (in 1975)
  - Yen loan: ¥22 billion, private credit: ¥66 billion
  - Rehabilitated by yen loan (2008, ¥18 billion)
- **Hartha Thermal Power Plant** (in 1976)
  - Yen loan: ¥15 billion , private credit: ¥44 billion
  - Rehabilitated by yen loan (2015, ¥20 billion; 2017, ¥22 billion)
- **13 General Hospitals** (in 1982, 1983)
  - Yen loan: ¥7 billion
  - 11 are rehabilitated by grant aid (2003)
- **Baiji Fertilizer Plant** (in 1985)
  - Yen loan: ¥14 billion



Source: Partners in Sustaining Architectural  
Technology and Skills Website



# Major Projects by Japanese Companies

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from 1973 to early 1980s

- **Infrastructures**

- bridges, roads, schools, hotels, universities, hospitals, ministry buildings, ports, dams, sewage systems, canal dredging, telecommunications cables, broadcasting centers

- **Oil industries**

- field development, tanks, pipelines, oil gas separation plants, refineries

- **Power plants**

- generations, substations, gas turbines

- **Industries**

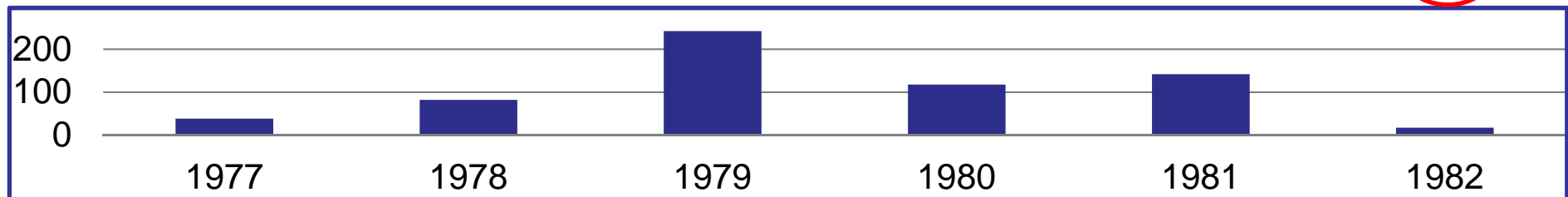
- glass factories, cement plants, fertilizer factories

Technology  
Quality  
Trained Engineers  
Careful Work  
Sincerity  
No Delay



# Top 10 Construction-Project Markets for Japanese Companies

	1977	1978	1979	1980	1981	1982
1	Iran	Indonesia	Iraq	Iraq	Malaysia	Hong Kong
2	Iraq	Iraq	Hong Kong	Singapore	Iraq	Malaysia
3	Saudi Arabia	Hong Kong	Indonesia	Hong Kong	Hong Kong	Singapore
4	Indonesia	Singapore	Saudi Arabia	Malaysia	Singapore	Saudi Arabia
5	Hong Kong	Iran	Singapore	Indonesia	Indonesia	Indonesia
6	Egypt	Saudi Arabia	Malaysia	Saudi Arabia	Saudi Arabia	USA
7	Singapore	Malaysia	Philippines	Thailand	USA	Thailand
8	Thailand	Algeria	Bolivia	Algeria	Panama	Brunei
9	East Germany	USA	Sri Lanka	USA	Thailand	Sri Lanka
10	Malaysia	Bangladesh	USA	Panama	Egypt	Iraq



Orders Received in Iraq (billion yen)



# Numbers of Trainees/Experts

Until March 1979.

(Unit: persons)

Trainees from Iraq to Japan			
	JICA	427	postal services, public administration, transportations, light industry
	UNIDO	8	
	AOTS	130	chemistry, automobiles, construction, communication facility
Experts* from Japan to Iraq			
	JICA	100	heavy industry, economics, communication industry

Source: JIME, "Iraq's Politics and Economy," Country Report No.14, 1980.

Note:

Experts include members of investigating teams.

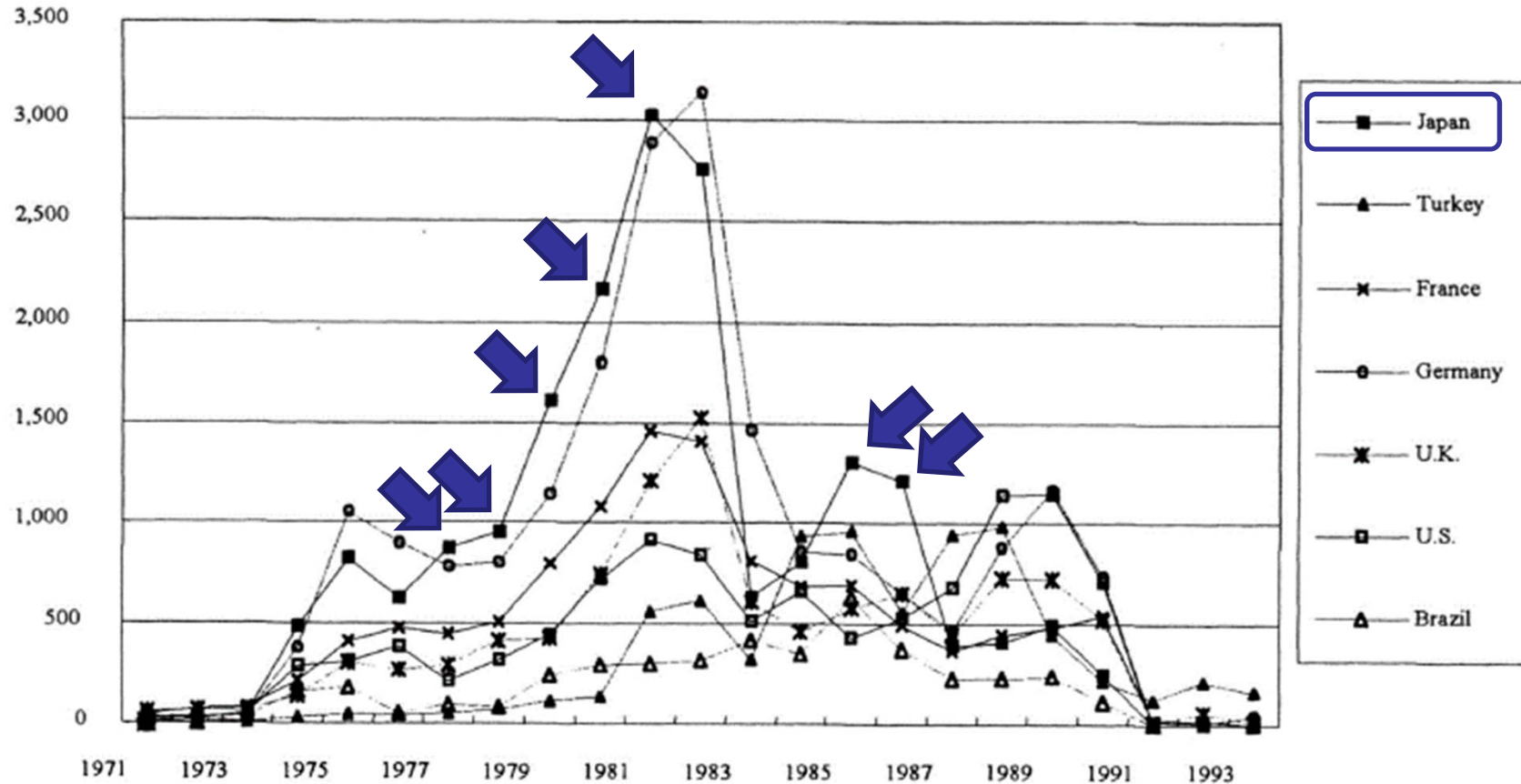
JICA: Japan International Cooperation Agency

UNIDO: United Nations Industrial Development Organization

AOTS: Association for Overseas Technical Scholarship

# Iraq's Primary Importers

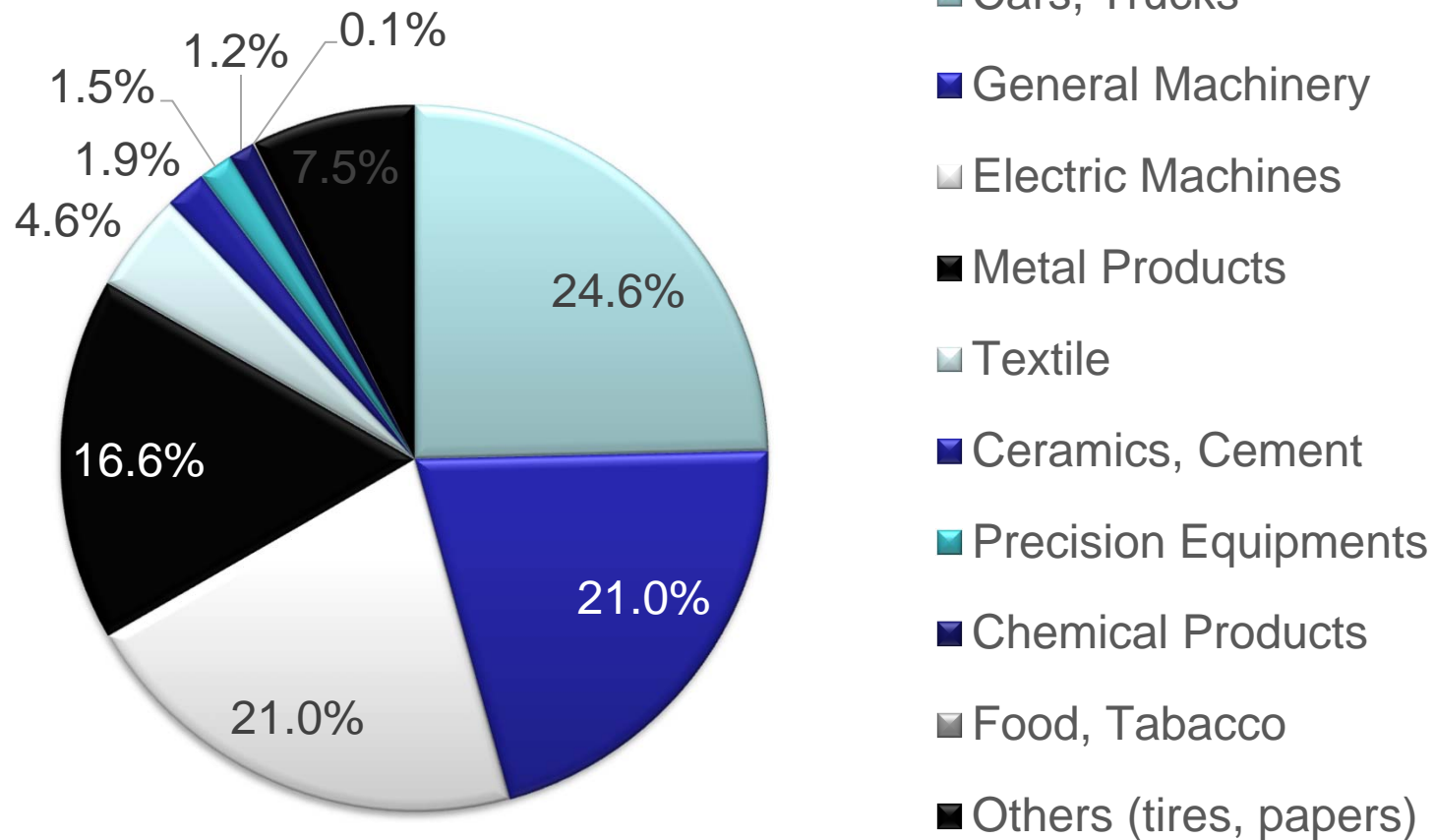
(million \$)



Source: Keiko Sakai, "Japan-Iraq Relations: The Perception Gap and Its Influence on Diplomatic Politics," *Arab Studies Quarterly*, Vol.23, No.4 (Fall 2001), p.125.



# Japan's Export to Iraq in 1982

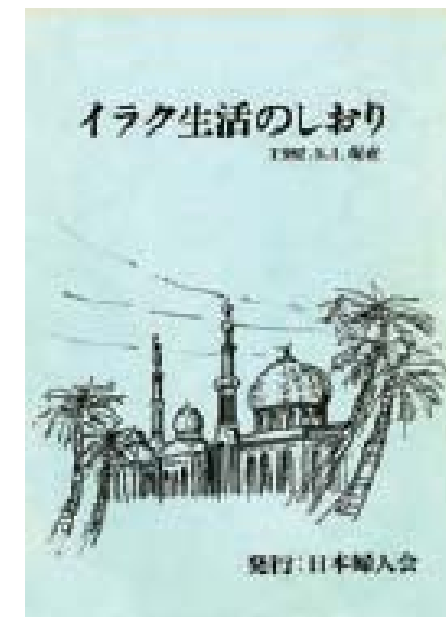


Source: Data from Japan Tariff Association

# Japanese Community in Iraq

- At the peak, about 5,000 Japanese lived in Iraq
  - In the late 1970s, Japanese schools (kindergarten, elementary school, junior high school) were opened
- Direct Flight between Tokyo and Baghdad
  - JAL began service in 1978
    - The Japanese population reached about 2,000
    - Until the war against Iran started
      - shuttle bus service from Kuwait to Baghdad twice a week by JAL, 12-13 hours
  - Iraqi Airways operated throughout 1980s between Baghdad and Tokyo

“Guide for Life in Iraq”  
by local Japanese  
women’s association



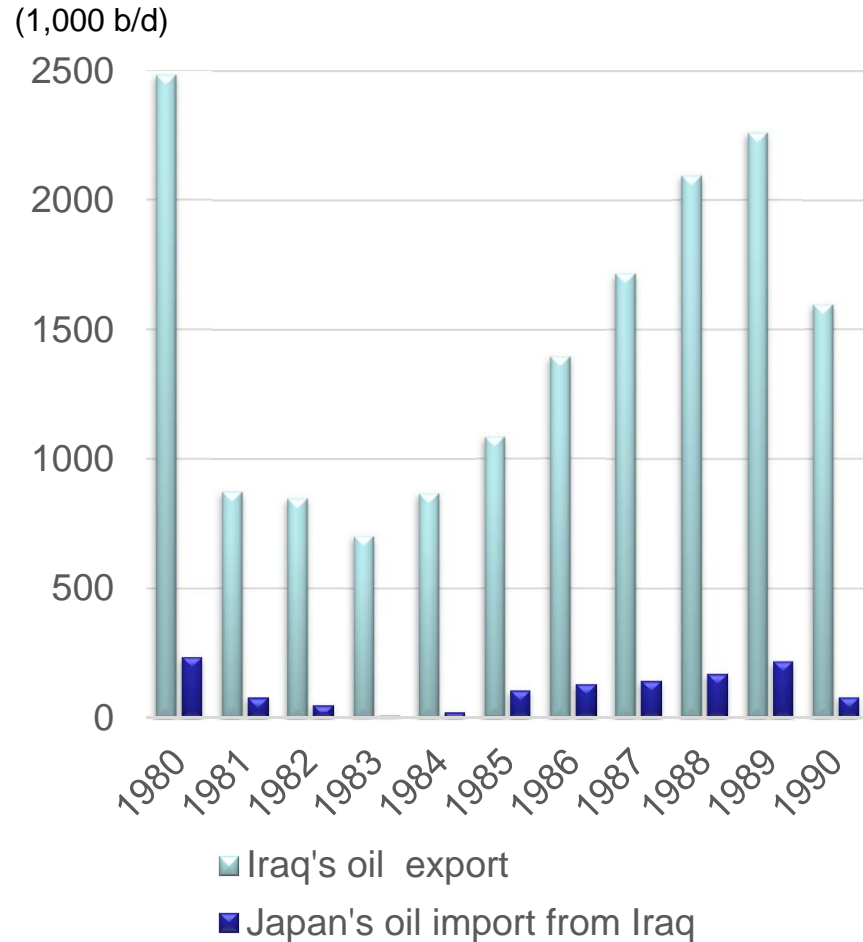
Source; JICA World,  
October 2011, p.9.



# The Tide Turned in 1982

- Iraq faced an economic crisis in 1982
  - Cost of war against Iran, Oil supply glut, Syria closed pipeline...
  - In 1983, Iraq officially asked moratorium of payment
- Foreign Minister Abe visited Iraq in 1983
  - Agreed on 5-year extension of economic cooperation agreement with \$2 billion ODA (yen loans and export credit)
    - Limited to projects unrelated with the war
- Debt problems
  - In 1983, companies accepted (1) payment in oil, (2) two-year moratorium for payment
  - In 1988, the rescheduled debt piled up to ¥500 billion (\$4 billion)
    - In 2004, Japan wrote off 80% of \$7.6 billion debt
  - Japanese community shrunk to 450 in 1988

# Oil Import in 1980s



Sources: OPEC Statistics and Petroleum Association of Japan.

- Iraq's oil export through the gulf stopped after 1980
  - Japan had to import Kirkuk oil through Turkey or Basra oil through Lebanon
- In 1989,
  - Japan's share for Iraq 9.8%
  - Iraq's share for Japan 6.1%



# Conclusions

- Japan-Iraq relations started to expand following oil crisis in 1973
  - Iraq, with abundant oil revenue, needed foreign companies for economic development, which provided Japanese companies with a unique opportunity
  - The Japanese government started to build cooperative relations with Iraq with the energy security in mind and supported business environment
- The war and deteriorating economic conditions in 1980s, affected the relations adversely
  - Failed to see a resurgence of business even after the war
- Relations in 1970s-80s was “savings of friendship”