

Central Intelligence Agency
Office of the Deputy Director for Intelligence

23 February 1983

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	DDI/Congress	sional Support

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18 February 1983

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MEMORANDUM FOR:	Dick Kerr, A	ADDI			
FROM :		DDI/Congressio	nal Support		25 X
SUBJECT :	Congressiona Terrorism	al Staff Briefi	ng Request o	n Iraqi	
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Feb 16, 83

By John M. Goshko and Ward Sinclair Washington Post Staff Witter

The Rengan administration is extending credits to Iraq-torn by war with Iran-for purchases of up to \$450 million in American agricultural commodities.

The U.S.-subsidized, low-interest sales, the first of their kind since Iraq broke diplomatic relations with the United States after the 1967 Arab-Israeli war, mark the latest step in an administration campaign to cultivate closer commercial and political ties with the radical Arab

The effort began a year ago, when the administration removed Iraq from the list of countries formally regarded as supporters of international terrorism. It stems partly from the administration's tendency to regard Iraq as a potentially good market for U.S. exports and partly from a political and strategic desire to help Iraqi President Saddam Hussein ward off Iran's drive to overthrow his regime.

"All I can say is that this is an important economic and political development," said Melvin E. Sims, associate administrator of the Foreign Agricultural Service.

U.S. Offering Iraq Credits On Food Commodity Sales

"This is the first time that we've extended credit to them that I'm aware of.'

Sims said that an Iraqi delegation, which visited here in December, was awarded \$210 million in export credit. guarantees by the Commodity Credit Corp. and immediately spent \$160 million to buy wheat, rice and barley.

In addition, other U.S. sources said, the Agriculture Department has a trade team in Baghdad negotiating a deal for additional credits that the sources estimated will bring the total package to what one called "a ballpark figure of around \$450 million."

On Monday, Saddoun Hammadi, the former Iraqi foreign minister who recently assumed the new position of minister of state, conferred here with Secretary of State George P. Shultz. Administration sources described the meeting as one of several that Hammadi has held with American secretaries of state in recent years. They insisted that it does not presage any dramatic new changes in the stillsevered relations between the two countries

However, there is no question that the administration, despite fierce criticism from Israel's supporters in Congress, has been maneuvering to establish closer ties with Irag.

The original impulse to take Iraq off the terrorism list, an act that removed several major trade barriers, came from administration officials primarily interested in expanding the market for American exports to as many non-communist countries as possible.

The United States officially is neutral in the war that begen when Iraq invaded Iran in September, 1980. However, the United States, despite poor relations with both countries, also believes that an overthrow of either existing regime could throw the Persian Gulf region into turmoil and give the Soviet Union opportunities to expand its influence in that vital oil-producing region. Since Iran expelled Iraqi forces and countered with its own massive invasion, U.S. policy has tilted quietly toward the hope that Saddam Hussein can check the Iranians so the war will end in a stalemate.

Although a deal to sell Iraq six or more L100 transport planes apparently has fallen through, the Iraqis did recently buy 60 U.S.-made helicopters, which congressional critics charge can be used for mil-

itary purposes.

The administration defended dropping Iraq from the terrorism list on the grounds that it was easing its support of terrorist groups. But it subsequently was embarrassed by revelations that Baghdad had welcomed back Abu Nidal, leader of a Palestinian splinter group linked to several terrorist actions, including the attempted assassination last June 3 of the Israeli ambassador in London.