

CONFIDENTIAL

PRIME MINISTER

Meeting 1100 on 5/10

Mr Flesher
Can you get together
a meeting asap?
AT

8/10

CREDIT FOR IRAQ

The Iraqi Deputy Prime Minister arrives on Wednesday, 5 October and meets you on Thursday, 6 October. Improved credit facilities are an important objective of his.

Iraq has been offered, conditionally, £100 million for three years.

- i. The commercial case for going beyond this is weak - ECGD losses are large and mounting;
- ii. but it is argued that Iraqi long-term prospects are good; that it is a good market for UK firms; and that the political arguments are strongly in favour.

DTI (Flag A) and FCO (Flag B) both argue that if the Iraqis are not given an advance indication of an improved offer there is a risk that Ramadhan will cancel his visit. Both suggest offering £250 million for five years subject to improved performance on existing debts.

The Treasury (Flag C) argue that we should not offer the Iraqis new medium term credit, i.e. that the original offer should be withdrawn since the conditions have not been met.

There are two further considerations:

- i. this is an early test of the conclusion of the Chequers meeting that "we should conduct a major drive to sell less to countries who were unable to pay for our exports";
- ii. should we allow ourselves to be pressurised by a threat to cancel the forthcoming visit?

/The choices

CONFIDENTIAL

CONFIDENTIAL

- 2 -

The choices are:

- i. to offer no new medium term credit;
- ii. to confirm the original offer of £100 million;
- iii. to offer £250 million over five years.

Or you may wish to hold a short meeting

Meeting - Yes no. AT

30 September 1983

CONFIDENTIAL