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F97-107/1 #108

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BILL BURNS



BY LDT, NARA, DATE 4/7/06

OFFICE OF THE VICE PRESIDENT

WASHINGTON

March 26, 1987

RECOMMENDED TELEPHONE CALL BY THE VICE PRESIDENT

TO: John Bohn, Chairman of EXIM Bank (566-8144)

DATE: March 26, 1987

RECOMMENDED BY: Don Gregg *DG*

PURPOSE: To point out the advantages for U.S. policy of a quick Exim decision to resume short-term insurance cover to Iraq.

Got line 3-27

BACKGROUND:

In September 1985 Exim offered Iraq a Continuing Guarantee Agreement (CGA), which would have supplemented the short-term credit already available to Iraq with \$50 million in medium-term credit insurance. The Iraqis unceremoniously turned down Exim's offer of a CGA, professing to be insulted by the small amount of money called for in the agreement.

- status*
- 1. current on arrangements trying to stay current*
- 2. look at in next 3 or 4 weeks*
- 3. don't want to get Iranian receivables*
- 4. worry about Iran winning this*

Shortly thereafter, the plunge in oil prices set back Iraq's financial situation. During 1986 the Iraqis missed payments on loans, but in the fall Iraq's Rafidain Bank began singling out Exim-insured letters of credit (L/Cs) for repayment. Rafidain has now paid all overdue L/Cs insured by Exim.

Considering Iraq's success in containing the latest Iranian offensive, its clear policy decision to give preference to Exim-insured debts, and its long-term potential based on vast oil reserves, we believe that Exim should give favorable consideration to resuming short-term credit insurance for Iraq. The Exim Board plans to meet soon to decide the issue.

TOPICS OF DISCUSSION:

Talking Points are provided on attached card.

I told him this was US policy

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b) didn't think Iran was going to work out I told

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DECL: OADR

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GAB 3-27

TALKING POINTS -- TELEPHONE CALL TO JOHN BOHN, EXIM BANK CHAIRMAN

EXIM CREDITS FOR IRAQ

- Iraqi Ambassador Hamdoun called on me March 2 and raised the issue of short-term Exim credit insurance for Iraq.
- I understand that the Iraqis have resolved some outstanding arrearages to Exim, and that the Exim Board will decide soon whether to resume short-term credit insurance for Iraq. I urge you and your colleagues on the Board to give that favorable consideration.
- There are major U.S. policy considerations at work in this issue. Iraq has apparently contained the latest Iranian offensive, and we are taking advantage of that to try to put some life into peace efforts. Exim's support for continued trade with Iraq would be a powerful, timely signal -- both to Iraq and to the Gulf Arab states -- of U.S. interest in stability in the Gulf.
- Although in the near term Iraq will continue to face financial stress because of the war, Iraq's prospects for the medium to long term are good, considering the country's vast oil reserves. Now is the time to begin building a solid trade relationship with Iraq for the future.

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