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July 10, 1963

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MEMORANDUM FOR
THE PRESIDENT

Aid to Iraq. We're moving here (as is UK), and I'm keeping needle in. The greater the break between USSR and Iraq, the more latter will turn to us.

1. Since PL 480 is cheap, we're meeting Iraqi plea for 50,000 tons of wheat with a \$6.9 million Title IV program, plus Title III for milk and school lunches. We're also thinking of another \$10 million shortly. But Agriculture insists on 3-1/2% interest, which our Embassy thinks Iraq will protest. I'll straighten this out.
2. We've upped DG program to \$1 million, and grant MAP to \$146,000. More important, we've agreed to sell 40 old light tanks, 12 tank transporters, 500 big trucks, and 15 large choppers they want.
3. As you know, we're giving Iraqis some ammo covertly for Kurd campaign. So are Syria and UAR apparently.
4. UK has offered to sell some Hunters and ammo, etc.
5. We're urging Iraqis to get a big loan from Kuwait, which serves double purpose of saving us money and reducing Iraqi pressure on our Kuwait oil interests. We're also encouraging IPC to make a good deal with Iraqis now.

I've made clear to all concerned WH interest in making most of Iraqi opportunity. One reason for what seems like a whole spate of requests is Baghdad's sheer disorganization, with all sorts of different people coming to us. On the other hand, Washington agencies tend to shy away from grants on grounds that Iraq is oil-rich (whereas in fact regime can't lay its hands on ready cash). We also want to be careful not to stretch our ME arms policy to point where we generate Israeli as well as other Arab requests.

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Declassified Under Authority of the Interagency
Security Classification Appeals Panel,
E.O. 13526, sec. 5.3(b)(3)
ISCAP Appeal No. 2015-132, Document 1
Declassification Date: March 15, 2026