

July 8, 1982
**Hungarian Foreign Ministry evaluation of the
situation report of the Hungarian Ambassador in
Iraq in 1982**

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Summary:

This memorandum comments on the report of the Hungarian ambassador to Iraq and states that Iraq's weakening status might negatively affect Hungary, but that Hungary's ordinary and "special" trade relations had increased.

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Hungarian

Contents:

Translation - English

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MEMORANDUM

Subject: Comments on the report of our Ambassador to Baghdad

The report analyses Iraq's internal situation and its foreign policy in detail, it gives a brief overview of the main areas of our bilateral relations. /On the experiences of our economic and commercial activities and on the press and propaganda activity of our Embassy separate reports have been prepared/.

We agree with the evaluation of the political situation of the report, and we do not consider any changes necessary despite the events having taken place since the report was made.

In the period described in the report the events of the war against Iran played a decisive role. The developments in the conflict had a direct influence on the foreign policy of Iraq and the internal situation in the country.

There has been a turning-point in the course of the war, and the balance of power has changed in favor of Iran. It has become clear that Iraq could not realize its endeavors toward hegemony and its territorial demands by military force. The political actions of the Iraqi leadership have become centered on the earliest possible ending of the war. But the initiatives, experiments of mediation directed toward peaceful settlement could not be crowned by success, as the Iranian position had become stiffer as a result of military success. For the time being, Iran would be ready for talks only in case of the removal of Saddam Hussein and an internal change in its favor.

In the present situation the primary intention of the Iraqi leadership is not to be forced to admit defeat, to prevent the intensification of internal tensions and the activation of opposition forces. To this end, it demonstrates its intention to restore peace even through unilateral steps - cease-fire, the withdrawal of Iraqi troops, letting Iranian forces pass through [sic!] - and she tries to exploit the situation that has evolved after the Israeli attack against Lebanon maximally. The events of the Lebanese crisis play an important role in the further development of the Iraqi-Iranian war. It is the common interest of the countries of the region - including

Iran as well - to stand up against Israeli aggression, and this will probably moderate conflicts between them. Although Iran does not consider satisfactory the withdrawal of Iraqi troops from its territory and it has committed itself to continuing the war, there are several signs indicating that there are increasing chances of the settlement of the conflict through negotiation.

As a consequence of the repeated defeats and the deteriorating economic situation, the internal tension has increased. Saddam Hussein's positions have weakened, however, for the time being he enjoys the support of the USA and its allies in the region. It is for the possibility of his removal that it is his person that more and more obstructs the ending of the war. At the same time, it is a fact that Saddam Hussein has faced the consequences of the unilateral withdrawal of troops, which practically means admitting the failure of the war, it proves that the president still has enough power to preserve his position. At present, apart from the Baath party, there is no alternative force that has sufficient mass influence and organization to take over power. However, we do not have any information about the centers of power within the leadership. There is little possibility of a Shiite turn similar to the one in Iran, nevertheless, Iran's political and military steps are directed mainly toward this. Neither the external, nor the internal conditions are given for this.

Iraq's economic problems have become aggravated with the prolongation of the war. Oil production has decreased remarkably and, through it, so has the income from oil export. The increasing deficit and liquidity problems necessitated the taking up of loans of greater volume. The leadership was forced to change their economic-political conceptions and to introduce war economy. All this greatly influenced Iraq's foreign economic relations as well. The suspension, re-phasing of investments, the measures constricting import had an unfavorable influence mainly on socialist countries, and this could hardly be counter-balanced by the development and intensification of political relations. Based on the previous experiences, the Iraqi leadership will try to link civil business with military transportation. In practice, though, the special supplies [military materials] of socialist countries are not rewarded by special favors, and we have not seen any example, either, for favoring socialist countries for political reasons when given the same conditions. At the same time, the proportion of developed capitalist countries has further increased in Iraqi import. Some people in the Iraqi leadership and a substantial majority of the middle-level economic leaders strive to strengthen economic co-operation with the capitalist states. This tendency is expected to be further intensified by the financial support received from Saudi Arabia and the countries of the Gulf and the increase in the importance of Iraqi private capital. We consider it necessary to assess the expected effects of the major personal changes in the economic leadership as soon as possible.

Our bilateral relations developed favorably during the period described in the report. The regular political contacts and high-level visits had a favorable influence on the expansion of our co-operation. We usually welcomed the political initiatives of the Iraqi side, we expanded our relations to new areas. All this provided a good basis for the development of our economic co-operation. Our export increased remarkably, the composition of products, their price-level and quality were favorable. Our military-economic ties have become an important political factor and they serve as the basis for our economic co-operation. There are realistic opportunities to further develop our economic relations, but we have to count on the intensification of Iraq's internal difficulties and economic problems. Considering the still remarkable reserves of the country and the external financial support, radical regress is not likely. We have to endeavor consequently to harmonize our supplies and our import. It is time to get prepared for the period following the end of the war, for joining the reconstruction plans. For this reason, besides the transportation of goods, there is a need for developing new, long-term forms of co-operation.

Our competent organs and leaders evaluate the work of the Embassy in the development of economic relations as successful and high-level.

In the described period there was an increase in events disturbing the development of our bilateral relations and leading to temporary tensions. Such problems were caused mainly by the cases of the so called shamefully behaving Iraqi citizens. The Iraqi side pressed the Hungarian authorities to stand up more firmly against

their citizens pursuing anti-Iraq activities and committing crimes, however, they tried to use this real problem - through the active participation of their mission in Budapest - to take action against the [Iraqi] Communist refugees staying in Hungary. We managed to solve the contested issues, affairs prudently, by diplomatic means. As a result of the harmonized measures of the competent Hungarian authorities, there has been a remarkable decrease in the events disturbing our relations.

In the coming period, our main task will be to further consolidate economic co-operation and to fill the existing conventional frames with content better corresponding to our interests and serving our economic goals. We must take special care to build personal relations with the new leaders of economic offices as soon as possible. Our ministers are encouraged to initiate the establishment of relations with the new Iraqi partners.

[...]

Budapest, 8 July 1982