

# Spy Says British Knew Of Iraqi Arms Plans

*MI5 Man Testifies in Rare Breach of Secrecy*

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LONDON, Oct. 30—The British government was aware in late 1987 that Iraq was enlisting the help of Western firms to build up its arms-manufacturing capability, with a shopping list that included plans for a U.S.-designed 1,000-pound bomb, a British intelligence officer testified in court today.

In what was a radical change in the secrets-laden political culture of Britain, "Officer B" from the counterintelligence agency MI5 testified that he had no doubt at the time that the machine tools Iraq was purchasing from British firms were designed for military, not civilian, use. While the officer was shielded from all but the jury by high screens, his testimony in open court as an active intelligence officer had no precedent here.

The MI5 officer said he presumed that at least some of the information in his reports on Iraqi procurement was shared with other Western intelligence agencies.

This extraordinary glimpse of the secret world of Her Majesty's spies, with the circles-within-circles atmosphere of a novel by John le Carre, came in the trial of three former officials of the Coventry-based machine tool company Matrix Churchill. There is no precedent for an active intelligence officer offering such candid testimony in an open British court.

The defendants are charged with violating British export laws by concealing from the government that the equipment they were sending to Iraq was intended to manufacture arms. The defense contends that British officials knew all along that the equipment was for military purposes, because one of the defendants and Mark Gutteridge, another Matrix Churchill official who is not

procure machine tools and other equipment, "B" said. MI5 was particularly interested in any possible Iraqi attempt to build nuclear weapons, the intelligence officer testified.

"B" said that in August 1987, he wrote a report on a conversation in which Gutteridge said the Iraqi government had been signing contracts with British, West German, Italian and Swiss firms to buy "general-purpose heavy machinery for the production of armaments in Iraq."

Gutteridge identified the two Iraqi factories where weapons were to be built. He also described the technical drawings of shells, mortars and other weapons the Iraqis had been showing to firms as an example of what they wanted to produce.

Most of the blueprints were for Soviet-designed weapons, "B" said, with Cyrillic lettering. But one was a set of U.S. drawings for what the Iraqis said was a 1,000-pound bomb. There was no testimony on how the U.S. plans were obtained.

"B" said he convinced Gutteridge to remove the drawings from Matrix Churchill's files so MI5 could photograph them. But when "B" arrived in Coventry to take the pictures he found the drawings were larger than he had expected. An MI5 photographer had to be sent from London to photograph the blueprints.

In October 1987, "Officer B" 's report on Iraqi procurement found its way to the Department of Trade and Industry, which was in charge of granting export licenses.

It is unclear just how widely the report was distributed. In response to a question, "B" said he "may well" have told Gutteridge that one of his reports would be shown to the prime minister.

The officer said he viewed Matrix Churchill's deals with Iraq as military ones. While machine tools sold to Iraq could be used for other purposes, "B" said, accompanying computer software and cutting tools were specific to arms manufacture.

Although the intelligence officer was called to the stand by the prosecution, his testimony appeared to bolster the defense contention that at least some branches of the British government were much more aware of the Iraqi arms build-up than previously acknowledged, and at an earlier date.

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charged, were passing information to British intelligence.

The man identified only as "Officer B" told the court that he was the MI5 case officer in charge of "running" Gutteridge as an agent. "Officer B" said he met Gutteridge frequently between December 1986 and October 1989, usually in a Coventry hotel room.

Gutteridge provided a stream of information on Iraq's program to

## Britain Said Aware of Iraqi Arms Buildup

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Matrix Churchill, a long-established firm, was bought by an Iraqi holding company in 1987. It was shut down by British authorities following the Iraqi invasion of Kuwait in August 1990.

Trial Judge Brian Smedley has given the defense unprecedented access to classified documents and took an unusual step in agreeing to hear testimony from "B" and from an MI6 officer in open court. In keeping with the secret world of codes and need-to-know, when the MI6 officer takes the stand he is expected to be designated "A".

This is new ground for Britain, which guards its secrets jealously. Only this year did the government officially acknowledge the existence of MI6 (the rough equivalent of the U.S. CIA), which was made famous by novelist le Carre as "The Circus." The intelligence agencies have no published budgets and a shadowy official status, existing in a bureaucratic netherworld.

Smedley ordered that a special witness stand be erected on one side of the courtroom opposite the jury,

with tall screens put up so that spectators and reporters could not see "B" as he testified. Brown paper was put up to cover the windows in the courtroom doors, even though no one who sneaked a peek could have glimpsed the secret agent. Two reporters claimed later to have seen the man's shoes, but one said they were brown and the other said black.

"Officer B" said that while his business meetings with Gutteridge always took place in a hotel, he made several social calls at Gutteridge's house and came to consider him a friend. Gutteridge had given generously of his time and effort, "B" explained with apparent admiration, receiving no monetary compensation.

That friendship became strained, "B" said, in late 1987 following the report on Iraqi procurement efforts. The Department of Trade and Industry began cautioning British firms about their dealings with Iraq, and Gutteridge began to worry that the information he had provided might lead to Matrix Churchill's export licenses being cancelled, which would have been a crippling blow to the company.

During a stormy meeting, "B" convinced Gutteridge that he was not to blame for the trade department's new critical interest in exports to Iraq—despite the intelligence officer's strong suspicions to the contrary.