

West Upping Technology Sales to Iran

Equipment Intended For Civilian Projects Has Military Uses

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By Steve Coll
Washington Post Foreign Service

LONDON, Nov. 9—State-of-the-art Western technologies are pouring into Iran this year as European, Asian and U.S. companies rush to profit from Tehran's attempt to infuse its Islamic revolution with modern science and to rehabilitate the war-shattered Iranian economy.

Much of the technology being transferred to Iran in the Western export boom is categorized as militarily useful by the U.S. government. But relatively little is being held back. That is because of policy differences on Iran between Washington and its Western allies, and a recent loosening of U.S. export controls related to Iran, according to public records, businessmen, economists and military analysts.

Concerned about Iran's military buildup, the Bush administration has begun a diplomatic campaign to stop the major industrialized nations from selling militarily useful technology to Iran. The campaign is aimed at inhibiting Tehran's ability to develop and produce both conventional armaments and weapons of mass destruction, including the ballistic missiles, nuclear arms and germ weapons that Iran is now seeking, according to U.S. officials. [Details on Page A30.]

The technology reaching Iran includes radar testing devices, navigation and avionics equipment, oscilloscopes, logic analyzers, fiber optic cables, digital switches, high-speed computers, remote sensors and jet engines, according to these sources. While Iran has ordered the equipment for civilian projects, such as new airports and telephone networks, Western analysts and U.S. officials say the technology easily can be converted to military use in time of war.

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The transfers are similar to what occurred in Iraq during the 1980s, when the West sold large quantities of arms and technology to the regime of President Saddam Hussein, nominally in order to assist it in the war it was then waging with Iran. Iraq eventually used its stockpile to mount its invasion of Kuwait in August 1990, causing the West to respond in what became the Persian Gulf War. Since the war ended early last year, the previous Western sales to Iraq have been a source of continuing controversy both in the United States and in Europe, with critics charging that ill-advised arms and technology transfers precipitated Iraq's aggression in Kuwait.

It is not clear whether the same amount of direct military equipment is reaching Iran from the West today. Also, the technology transfers are occurring in a context of peacetime free market economic reform in Iran, in contrast with Iraq's wartime buildup during the 1980s. Iranian leaders describe their reconstruction plan as an effort to improve the country's standard of living and repair the damage done by nine years of war with Iraq.

Nonetheless, the parallels are close enough to prompt some analysts to argue that recent Middle Eastern history is in the process of repeating itself.

In recent months, intelligence analysts and government officials in both the West and the Middle East have warned that Iran is seeking to position itself as the dominant power in the Persian Gulf in the wake of Iraq's defeat in the gulf war, threatening pro-Western countries in the region. Saudi officials have been alarmed by such Iranian moves as the seizure of a small island claimed by the United Arab Emirates, and the purchase of Soviet submarines that could be used to threaten gulf shipping.

U.S. officials and independent military analysts report that Iran is attempting to rebuild its conventional military forces through large-scale acquisitions from former East Bloc countries, including scores of fighter aircraft, bombers, submarines and tanks from the former Soviet Union, tactical missiles from China and medium-range missiles from North Korea. While analysts disagree about how many of these reported defense

deals will lead to actual deliveries to Iran, there is agreement that the military sales are sizable and of significant quality.

Recent U.S. intelligence estimates have warned that Iran could become a major military threat to the Middle East by the end of the decade. "The intelligence [news] is bad," said an administration official who declined to be named. "We have a real problem" with what U.S. analysts consider to be Iran's continuing effort to develop weapons of mass destruction, including nuclear arms and germ weapons that could require significant Western assistance.

"Are we getting a repetition of what we are seeing in Iraq? The answer is yes," the official added.

Western governments so far have been united in their official opposition to direct, large-scale military or nuclear sales to Iran. France and Germany this year have refused Iranian requests for renewed nuclear ties, although Iran is reported by U.S. officials to be seeking nuclear weapons material from non-Western countries. But on policy questions concerning "dual use" technology that can be appropriate for both civilian and military projects, the West has been less stalwart and far from unified.

Overall exports from the West to Iran have skyrocketed during the last three years. German exports have approximately quadrupled since 1989 to a projected level of more than \$5 billion this year. Japanese exports to Iran have almost tripled during the same period to a projected figure of more than \$2.5 billion this year. Italy's exports have quadrupled to more than \$2 billion. U.S. exports have risen from none in 1989 to an expected level of more than \$650 million in 1992, according to statistics compiled by the Middle East Economic Digest.

In total, Iran imported \$28 billion in goods during its 1991-92 fiscal year, according to figures reported by the Tehran central bank—a 30 percent rise over the previous year and nearly triple the level in the mid-1980s. The great majority of these imports were from the West.

In many cases, the imports will be paid for with government credits and loan guarantees extended by European and Asian governments, according to businessmen, consultants and government officials involved in the trade. Other trade is being fi-

nanced by increased Iranian oil sales, including a present annual rate of more than \$3.5 billion in sales to U.S. oil companies, as well as by European bank lending tied to future Iranian oil exports, according to economists and oil industry sources.

As the departing Bush administration and the incoming Clinton administration wrestle with questions about the booming Western trade with Iran, they face several predicaments.

One is that European and Asian government officials often describe the recent developments in Iran in a

different light than does Washington. Some European officials see Iranian President Ali Akbar Hashemi Rafsanjani's decisive moves toward international capitalism as a complex but potentially moderating influence. Iranians sympathetic to Rafsanjani say his free market drive marks the start of a basic shift in the Islamic government's foreign policy away from exporting revolution.

European governments also are reluctant to inhibit booming trade with Iran at a time of economic slump and job losses, an approach that appears to have been mirrored somewhat by the U.S. Commerce Department during the last two years, according to public records.

Also, in urging curtailment of technology transfers to Iran by West European countries, Japan and Russia, the United States is seen as undermined by its own massive military and high-technology transfers to Saudi Arabia and the smaller Persian Gulf states.

While this debate continues, technology transfers to Iran are proceeding at breakneck speed, according to interviews and public records. Three particularly sensitive areas are aviation, communications and computer-related electronics, military analysts said.

Iran intends by the mid-1990s to

build 21 new airports, for a total of 63, and to modernize existing facilities, according to Vahe Petrossian, the Iranian-born editor of Iran Quarterly Report, a London-based economic monitoring service. Toward that end Iran is seeking a wide range of aviation-related electronics, radars, avionics equipment, instrument landing systems, navigational aids, air traffic control systems and test equipment, Petrossian said.

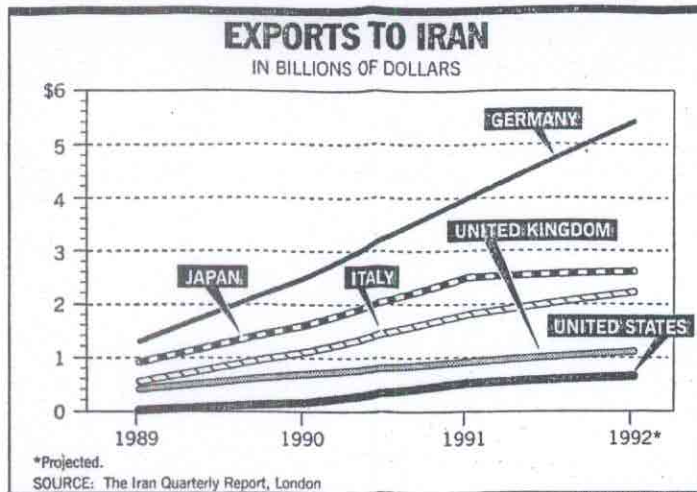
This civilian aviation program is connected to Iran's effort to rehabil-

itate and modernize its military air force, said Paul Beaver, publisher of the military journal Jane's Defence Weekly. "A lot of it does overlap," Beaver said. "They are interested in any electronic technologies they can get their hands on—radar, both air and ground, and testing equipment." At recent defense exhibitions in Moscow and Greece, Beaver said he met Iranian procurement officials who were looking closely at in-flight refueling technology, early-warning radar systems and avionics equipment. "They were looking at everybody—East and West," Beaver said.

Air defense systems based on commercially available Western technology would make it relatively easy for a potential enemy supplied by the West, such as Saudi Arabia, to defeat the system or to employ countermeasures, Beaver noted. But electronics avionics and test equipment, can be used to upgrade a wide range of military systems, he and other analysts said.

A 1992 criminal case in Newport Beach, Calif., suggests how procured Iranian technology can cross easily between civilian and military users. Between 1989 and 1990, Iranian citizen Reza Amiri acquired oscilloscopes, pulse generators, computer software and other technology from California companies and exported it illegally to Iran by falsifying export licenses, according to court records. Amiri set up shop in Tehran and declared that most of what he was buying was for the Iranian telephone company. But he also placed orders for similar technology on behalf of the Iranian Defense Ministry and falsified license documents to disguise these sales, the records show.

Amiri pleaded guilty to U.S. export violations last summer. He then returned to Iran, at least partly because of the urgings of an Orange



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County, Calif., judge, to retrieve an especially sensitive oscilloscope that can be used in missile guidance and nuclear testing. But the Iranian government confiscated Amiri's passport and has refused to let him return to the United States for criminal sentencing, according to Teresa Barrera, Amiri's Los Angeles attorney.

Another example cited by some analysts is Airbus Industries' announced sale of two A-300 passenger jets to Iran. The planes are equipped with sophisticated avionics equipment and supported by a range of electronic testing gear. A spokesman for the company said negotiations for further sales were continuing. The U.S. Commerce Department has licensed General Electric Co. to provide engines for the Airbus planes. Other civilian aircraft deals involving European firms and Boeing Co. are reported near completion but are being held up by U.S. government reluctance to grant licenses, according to lawyers and officials involved.

Complementing Iran's aviation rebuilding program is an effort to upgrade its communications system with Western technology. Announced deals this year include contracts with European firms for digital switches, fiber optic cables, millions of communications lines and related electronics.

While the primary purpose of this program is civilian, it will be connected inevitably with efforts to improve Iranian military "command and

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control" systems, said retired British air force wing commander Ken Petrie, now an analyst at the International Institute for Strategic Studies in London.

Petrie formerly helped to plan similar communication systems for NATO in Germany. "In a time of war, the military will take over" the civilian technology, he said. "There's bound to be overlap between civilian and military."

A prominent Iranian newspaper reported two months ago that French telecommunications giant Alcatel Alsthom SA would soon sell a communications satellite to Iran and launch it on Tehran's behalf. An Al-

catel spokeswoman said she could not comment on that report, and it is not clear whether the deal will go through.

Western specialists said the Iranian satellite deal, designated Zhorech, has been under consideration for some time. If it were to go through in the present liberalized atmosphere, Western firms would handle the satellite engineering and launch without direct Iranian participation. But Iran would gain a widened, flexible communications capacity that could be used for many purposes, including military ones, the specialists said.

In event of war, a Western supplier could in theory turn the satellite off, but the Iranians would retain the technology to switch it on again.

"It would be like having a toy fight where you turn it off, they turn it back on," one specialist said.

The United States has contributed to the wave of technology transfers to Iran with government licensed exports, Commerce Department documents declassified last summer by the House Foreign Affairs Committee show. Between August 1991 and February 1992, Commerce licensed for civilian projects in Iran such technology as digital computers, radar testing equipment, computer design software, inertial navigation equipment and other technology, the documents show. In many cases, Commerce granted approvals despite objections from the Defense and State departments, according to these records.

Among the large U.S. companies that have acknowledged U.S. government-licensed technology sales to Iran recently are IBM Corp. and Honeywell Inc. IBM reentered the Iranian market in February 1992 after a decade-long absence and now sells personal computers, software and mid-size business computers through five representatives appointed in Iran, a company official said. IBM may bid for deals involving its largest computers, the official added, but he said he did not know whether such contracts or U.S. government licensing agreements were presently in negotiation.

Honeywell won a contract earlier this year to supply remote sensors, electronic controls, high-speed com-

puters and software for a large civilian petrochemical plant in Bandar Abbas. The Honeywell technology involved is manufactured by a Phoenix unit that separately produces space and aviation equipment, including avionics equipment for Boeing, Honeywell officials said. The officials said that while nobody can guarantee that Iran will not use the petrochemical plant technology for military purposes, Honeywell has a corporate policy of forgoing sales where there are reasons to be concerned about military conversion of its technology. In any event, they added, their sale was cleared through the Commerce Department.

Thomas Whalen, a Washington attorney who represents Iran Air in Commerce licensing proceedings, said the U.S. government has recently eased somewhat its attitude toward technology transfers to Iran. "It's a little easier on dual-use items,

where there's some commitment [by Iran] that it will not be used for military purposes," Whalen said. "It's not a routine thing. The Commerce Department really looks this over carefully. But is it easier today than it was two years ago? The answer is yes."

"The definition in the last analysis is that they [Commerce] should not help Iran develop war technology," said Hooshang Amirahmadi, an Iranian-born Rutgers University specialist on Iran's economy who also consults for U.S. companies seeking contracts with Tehran. "The problem is, how do you judge? Some of the companies have been able to get away with it and they have tried to define their products in civilian terms."

Staff writer R. Jeffrey Smith contributed to this story from Washington.

Iraq Worries About Iran's Resurgence

By Trevor Rowe
Special to The Washington Post

BAGHDAD, Iraq, Nov. 9—Underneath huge victory arches built in 1989 to celebrate the end of the nine-year war against Iran, President Saddam Hussein embedded in the pavement dozens of helmets belonging to Iranian war dead so they could be trampled by parading Iraqi soldiers.

These days the helmets serve as speed bumps for passing traffic, and their metal exterior has thinned and eroded. But the military threat posed by Iran has not faded, and Iraqi officials are believed to be worried about the prospect of resurgent Iranian power.

At the same time, diplomats said, Iraq is hoping that fears of Iranian expansionism will help pave Baghdad's return to the international fold. During the 1980-89 Iran-Iraq war, the United States and other countries maintained a "tilt" toward Iraq to help minimize the influence of Iran's Islamic government. Only after Iraq invaded Kuwait in August 1990 did Baghdad become an international pariah.

"For the Iraqi leadership, Iran is an enemy, but at the same time it offers Baghdad a chance," said a European official. "The leadership remembers the good times in the 1980s when despite political differences, Baghdad was supported by everybody because it was fighting the Islamic revolution and protecting the area."

Diplomats say Iraq is worried about Tehran's plans to purchase two Russian-made submarines as well as the Iranian seizure this year of an island, Abu Musa, that is claimed by the United Arab Emirates and situated near the Strait of Hormuz, through which one-fifth of the world's oil passes by ship.

In addition to legitimate security concerns, diplomats said, Iraqi officials see a chance to capitalize on the fears of other countries.

"Iraqi officials are convinced the West will keep a balance in the

area," said a Middle Eastern diplomat. "The West has interests in the area, and maybe these are in contradiction with Iranian interests and Iraqi interests, but officials here have confidence [Baghdad] is nearer to the West than the Iranians."

The European official said Iraq sees the introduction of the Iranian submarines into the Persian Gulf region as a "thread" that will enable it to restore relations with Persian Gulf states, strained during the 1990-91 Persian Gulf crisis. In a recent commentary in the government newspaper al-Jumhuriya on future U.S.-Iraqi relations, its influential editor predicted that the new U.S. administration will have to focus on the Iranian issue.

"Iraqi officials stress the Iranian threat during every occasion," said the European official. "They say, 'Look, Iran still has the same politics, they're buying arms. Look, they're occupying an Arab island. They have the same aspirations in the area as in past centuries.'"

In its campaign to heighten international interest on the Iranian issue, Iraq sent a letter to U.N. Secretary General Boutros Boutros-Ghali last week in which it charged that Tehran had embarked on "large-scale deals" with many countries to obtain long-range missiles and to enhance its capability to develop nuclear and chemical weapons.

It remains unclear if Baghdad's campaign will have any success at this juncture. Memories of the Persian Gulf War are still fresh and Iraq's neighbors are wary of its intentions. While Iraqi officials have made no secret to diplomats that the "Iran card" offers potential leverage, nobody yet seems enthusiastic about being seen warming up to Baghdad.

In an apparent effort to ease fears, Saddam last week told a rally that "we shall not launch aggression nor shall we accept aggression. This is our principle." Diplomats said the statement could signal a change in tone. Said the European official: "It's an indication that Iraq may stop its belligerent attitude. He hadn't said this before."

U.S. Seeks to Halt Western Export Of 'Dual-Use' Technology to Iran

Officials Fear Such Equipment Might Aid Tehran's Military Buildup

By R. Jeffrey Smith
Washington Post Staff Writer

Concerned about Iran's military buildup, the Bush administration has begun a first-of-its-kind diplomatic campaign to stop Western nations from selling militarily useful technology to Tehran.

The campaign is aimed at inhibiting Iran's ability to develop and produce both conventional armaments and weapons of mass destruction, including ballistic missiles, nuclear arms and germ weapons that Tehran is now seeking, according to U.S. officials.

By cutting off sales of advanced technology having commercial as well as military applications, the officials said, the U.S. initiative would unavoidably retard Iran's effort to modernize its society and recover fully from the debilitating eight-year war with Iraq that ended in 1988.

Moreover, one senior administration official forecast that the effort, which has not yet been disclosed to business groups or Congress, will be "irksome to business" because it would keep Western purveyors of computers and other high-tech equipment out of a major new Middle Eastern market.

A team of three senior administration officials raised the idea during an unpublicized trip last month to Britain, France, Germany, Italy, Japan and the Netherlands. The allied governments expressed general support for new measures, but were undecided how and when the new export controls should be imposed, according to a U.S. official.

"It was not met with overwhelming enthusiasm," said one diplomat, largely because of concern about the potential financial cost of forgoing high-tech trade with Iran.

The U.S. diplomatic initiative is the first ever to target global sales

to a single Third World nation of "dual-use" technology—technology capable of being diverted from commercial enterprises to military applications. Previous U.S. efforts to control the militarily useful exports of industrialized powers have been aimed at blocking sales to groups of nations, such as the former Soviet bloc or countries that support terrorism.

Eventually, a U.S. official said, the proposed Western controls on

Iran was singled out because of U.S. intelligence estimates that it could become a major military threat to its neighbors by the end of the decade.

trade with Iran may also be applied to other "egregious" countries such as Iraq, North Korea and Libya. U.S. officials explained they had singled out Iran for special consideration now because of recent intelligence estimates warning that Iran could become a major military threat to its Middle Eastern neighbors by the end of the decade.

One official said administration concerns have been heightened by a recent "somber, pessimistic" CIA forecast of Iran's military ambitions, by preliminary indications that Iranian agents played a role in the September assassination of several Kurdish officials in Berlin, and

by Tehran's announcement the same month of a plan to buy its first nuclear power plant from China.

Under the U.S. proposal, major Western nations would simply deny all licenses for exports of "militarily sensitive" or dual-use technology to Iran, whether or not such exports were explicitly intended for military applications, officials said.

Congress recently approved a similar measure barring all U.S. exports of high-tech goods to Iran. The measure was included in legislation authorizing fiscal 1993 defense spending. Previously, the Commerce Department had no authority to block exports to Iran of dual-use equipment ostensibly intended for commercial applications, and in the six-month period after August 1991, the department approved 48 such shipments with a total value of more than \$180 million.

The details of which technologies would fall under the proposed constraints are still being discussed within the administration, officials said. But several acknowledged that the multinational ban is meant to be so sweeping that it would inevitably slow Iran's economic development.

"We are not interested in hurting Iran's progress. But you have to make a choice between a military buildup and other things. There is a cost, I don't deny it," an administration official said.

The initiative was presented to U.S. allies last month by Paul Cleveland, the State Department's coordinator for export control policy; William N. Rudman, the deputy undersecretary of defense for trade and security policy; and Joan McEntee, the acting undersecretary of commerce for export administration.

Officials said it will be discussed again at a meeting of allies in Europe later this month. They cited concerns about Iranian-backed terrorism in declining to disclose the meeting's exact timing or location.

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3 Acquitted Of Aiding Iraq's Arms Buildup

British Officials Knew Material Shipped Was for Military Use

11/10/92 By Eugene Robinson
Washington Post Foreign Service

LONDON, Nov. 9—Three businessmen accused of illegally aiding the Iraqi arms buildup in the late 1980s were acquitted today after prosecutors acknowledged the defendants' claims that British officials knew all along the equipment being shipped to Iraq was for military use.

With the prosecution's consent, Judge Brian Smedley ordered the jury in the case to return not-guilty verdicts on all counts against three former executives of the machine-tool firm Matrix Churchill, which supplied Iraq with millions of dollars' worth of arms-manufacturing equipment in the years prior to the 1990 Iraqi invasion of Kuwait.

The directed verdicts for defendants Paul Henderson, Trevor Abraham and Peter Allen ended an extraordinary trial at the Old Bailey courthouse here in which it was demonstrated that British intelligence and other government officials received a stream of detailed information on Iraqi arms procurement from 1987 through the time of the Kuwait invasion.

The trial also provided many indications, but no firm evidence, that information about the arms build-up was passed to other Western intelligence services, including the U.S. Central Intelligence Agency.

The case raises questions about the extent to which Western intelligence services knew about, and perhaps abetted through inaction, Iraq's program to build up its arsenal following the 1980-88 Iran-Iraq war. British and U.S. intelligence agencies share information extensively, and according to classified U.S. intelligence documents, the American government had evidence that Matrix was involved in the exports to Iraq long before U.S. and British authorities took any action against it.

The affair now promises to become a political embarrassment for Prime Minister John Major's Conservative government. Still unanswered is the question of how high in the government the information about Iraqi arms procurement reached—or why the government even pursued the case when, it is now clear, British

officials knew the equipment sent to Iraq was for military purposes.

The cornerstone of the prosecution's case—that the three men had deceived British officials into believing that the equipment was for civilian use—crumbled last week when a former minister in the Department of Trade testified that he knew at the time that the machine tools were for military purposes.

Alan Clark, the former minister, testified last Thursday that he even counseled Matrix Churchill and other firms that the best way around "tiresome and intrusive" government export guidelines was to draw up export license specifications that emphasized the peaceful uses

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of the machinery. This meant, he said, being "economical" with information about military uses.

It was "not a matter of concern" that the equipment was intended to make weapons, Clark said, as long as they were not for use in making nuclear, chemical, biological or ballistic arms.

On Friday, in the wake of Clark's testimony, prosecutor Alan Moses told the court he was not prepared at the moment to continue with his case. Today, as the judge ordered the verdicts of not guilty, Moses said that Clark's testimony—proving the defendants' central contention—had come as a surprise and was "not consistent" with his earlier statements.

Even before Clark testified, however, the prosecution's case had been weakening in the face of conclusive evidence that Henderson, the former managing director of Matrix Churchill, and another former company employee had given detailed information to British intelligence about the firm's dealings with Iraq over a period of years.

Two active British intelligence agents, testifying behind screens to hide their identities, told the court about the contacts. One of them—"Officer A" from MI6, the British secret intelligence service—said he met with Henderson repeatedly during 1989 and 1990.

"Officer A" said that Henderson, whom he called "an extremely brave man," had given documents, weapons plans and descriptions of Iraqi arms factories to MI6, along with personal and other information about the Iraqi officials in charge of

arms procurement.

British intelligence valued Henderson because of his access to the procurement network through Matrix Churchill, the MI6 officer testified last week. In 1987, the long-established machine tool firm had been bought by an Iraqi-controlled holding company as a key link in the procurement chain. Henderson made frequent trips to Iraq and was given tours of sensitive installations.

The other secret agent, "Officer B" from the counterintelligence service MI5, testified last month that he received blueprints, documents and a host of other information during 1987 and 1988 from Mark Gutteridge, a former Matrix Churchill employee who was not charged in the case.

Neither Henderson nor Gutteridge was paid for the information provided to British intelligence, the officers testified. It emerged during the trial that Henderson had first worked with British intelligence during the 1970s, providing information from "behind the Iron Curtain."