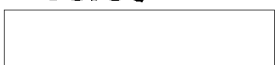


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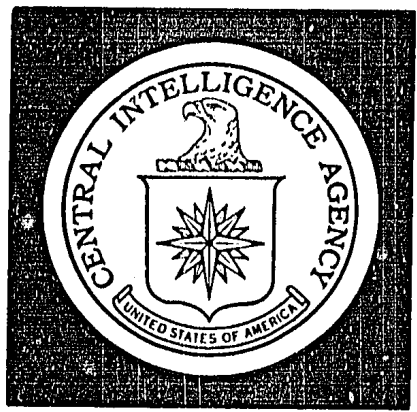

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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

*French Arms Exports To Less Developed Countries,
1966-69*

~~Secret~~

ER IM 70-68
June 1970

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
June 1970

INTELLIGENCE MEMORANDUM

French Arms Exports
To Less Developed Countries
1966-69

Introduction

France has long been a major international supplier of arms and in recent years has become the third largest exporter of arms to less developed countries. This memorandum examines the scope and terms of recent French arms sales to the Third World and assesses their economic implications.

French Role as Supplier to the Third World

1. The value of French exports of military equipment to the less developed countries of the Free World* is surpassed only by the United States and the USSR (see Table 1). During 1966-69, deliveries of military equipment to the less developed

* *The term less developed countries of the Free World includes the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries of East Asia except Japan; (3) Portugal and Spain in Europe; (4) all countries in Latin America except Cuba; and (5) all countries in the Near East and South Asia.*

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research and was coordinated with the Office of Current Intelligence and with the Office of Strategic Research.

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Table 1

Exports of Military Equipment
to the Less Developed Countries
1966-69

<u>Exporting Country</u>	<u>Million US \$</u>			
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
United States <u>a/</u>	1,350	1,385	1,270	1,350
USSR	440	375	350	300
France	110	110	215	165

a. Exports are by fiscal year and include only US government transfers; exports to the Indochina area are excluded.

countries under grant aid and commercial sales agreements totaled nearly \$600 million -- about 20% of total French arms exports. In this same period, French military advisory and training assistance probably was valued at some \$150 million.

Grants-in-Aid

2. The grant aid portion of French military exports represents about 8% of total military deliveries to the less developed countries in 1966-69.* This aid traditionally has been confined to former French colonies in Africa and to Cambodia (see Table 2). The only other major recipient of French arms aid has been Biafra -- which, between the summer of 1968 and its collapse in January 1970, received an estimated \$30 million worth of arms, making it by far the largest single recipient of French arms aid in the 1966-69 period.

3. The bulk of French military grant aid prior to 1966 consisted of small arms and vehicles as well as a few patrol craft and reconnaissance and

* *The French refer to military aid as including only grant aid; all sales, including those with concessionary credit terms, are considered commercial sales.*

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Table 2

French Military Grant Aid Deliveries
to the Less Developed Countries

Country	Estimated Value		
	1966-69	1956-65	Total
Biafra	30.0	0	30.0
Cambodia	2.8	18.7	21.5
Cameroon	1.9	3.1	5.0
Central African Republic	0.2	1.2	1.4
Chad	0	4.1	4.1
Congo (B)	0	1.9	1.9
Dahomey	0.2	3.5	3.7
Gabon	0.3	2.0	2.3
Ivory Coast	2.5	6.9	9.4
Malagasy Republic	1.6	34.1	35.7
Mali	0.1	1.0	1.1
Mauritania	0.6	3.0	3.6
Morocco	4.8	15.2	20.0
Niger	0.1	1.0	1.1
Senegal	1.0	17.6	18.6
Togo	0	3.0	3.0
Tunisia	0.4	8.6	9.0
Upper Volta	0	3.4	3.4
<i>Total</i>	<i>46.5</i>	<i>128.3</i>	<i>174.8</i>

transport aircraft, which were left behind by departing French forces when the former colonies were granted their independence. Recent deliveries have consisted mainly of small arms, vehicles, spare parts, and ammunition as well as a few -- less than a dozen -- transport aircraft and jet trainers. Among the former French colonies in Africa only Guinea, Algeria, and Mali turned away from French support in favor of military assistance from Communist states -- although in 1969 Algeria showed renewed interest in French arms. In addition, Morocco and Congo (B) have supplemented French aid with small amounts -- about \$30 million and \$4 million, respectively -- of Communist equipment.

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Commercial Credits

4. France re-emerged as an important commercial exporter of arms in the mid-1950s with the sale of Ouragon fighter aircraft to India. The French also began selling arms on a large scale to Israel and, by the time of the Suez Crisis of late 1956, the Israeli armed forces were extensively equipped with French weapons. In the mid-1960s a number of less developed countries began to update their military inventories with foreign equipment. France, one of the few countries in the world that can offer a full line of military equipment of indigenous design ranging from jet aircraft and missiles to small arms, waged an extensive sales campaign to win a large share of this market.* Table 3 lists French arms sales to the less developed world in 1966-69 and the estimated value of the equipment purchased. As indicated in the table, the French concluded sales averaging almost \$170 million annually during that time.

5. Countries located in the Near East and South Asia have accounted for by far the larger portion of French arms sales, ranging from 70% to over 90% of annual sales between 1966 and 1969. In the past year, sales have been concentrated predominantly in countries bordering the Mediterranean Sea. Three or four large transactions each year have made up over 85% of the value of French arms sales to less developed countries. Despite the French arms embargo against the delivery of major weapons, Israel continues to be France's best customer. The composition of sales, however, has shifted from jet fighter aircraft to spares and ammunition needed for equipment, chiefly jet aircraft, previously purchased from France.

6. Aircraft have been the mainstay of the French arms export drive in the Third World. Since 1959, more than 325 Mirage fighters have been sold to less developed countries. These sales were valued at about \$660 million and were distributed as shown in the first tabulation on page 5. Mirage production is scheduled to be increased from six aircraft a month in 1969 to 11 a month by June 1970.

* *The preponderant role of the French government in the production and sale of French arms is outlined in Appendix A.*

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<u>Country</u>	<u>Number Purchased</u>
Brazil	16
Israel	121 <u>a/</u>
Lebanon	12
Libya	110
Pakistan	24
Peru	16
Spain	30

a. Including 50 Mirage aircraft presently under embargo.

Export orders for some 250 Mirages are on hand, and the planned increase in production will allow additional commitments. Negotiations are currently under way with Greece and Argentina, and a French aircraft company, Avions Marcel Dassault, is bidding for additional contracts with Algeria, Australia, Morocco, Switzerland, Tunisia, and Yugoslavia. French-manufactured helicopters, too, are also in great demand; over 335 Alouette helicopters already have been purchased by Third World countries for military use. In addition, France has exported substantial quantities of tanks, armored personnel carriers, mortars, and artillery. The following tabulation indicates the types and quantities of French ground forces equipment currently in the inventories of less developed countries:

<u>Equipment</u>	<u>Estimated Number Exported to Less Developed Countries</u>
AMX-13 tanks	615
Armored vehicles, personnel carriers, and cars	535
Artillery pieces	760
Mortars	2,035

Sizable quantities of small arms and ammunition have been exported throughout the Third World. France also exports a wide range of missiles including several types of antitank missiles. Since 1964, contracts for the sale of submarines, frigates, and patrol boats have been concluded with Spain,

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Table 3

Value of French Military Sales Agreements
with the Less Developed Countries

Area and Country	Million US \$				
	1966	1967	1968	1969	1970
<u>Africa</u>					
Algeria	0	0	0	10.0	
Burundi	0	0.2	0	0	
Congo (K)	3.1	0	2.5	0	
Ethiopia	0	8.4	0	0	
Ivory Coast	1.0	0	0	0	
Morocco	0	4.0	0	0	
Nigeria	0	4.0	0	0	
Rwanda	0.7	0	0	0	
Tunisia	1.0	N.A.	N.A.	2.9	
<u>Europe</u>					
Portugal	0	0	3.0	21.1	
Spain	2.0	0	0	0	90.0
<u>East Asia</u>					
Indonesia	0	0	1.4	0	
Malaysia	0	0	1.0	0	N.A.
Singapore	0	0	0.8	0	
<u>Latin America</u>					
Argentina	0.5	0.2	14.7	3.7	a/
Brazil	0	0	0.9	0	59.0
Dominican Republic	0	1.9	0	0	
Peru	0	43.6	0	0	a/
Venezuela	5.6	0	0	0	
<u>Near East and South Asia</u>					
Greece	0	0	0	20.0	a/
India	4.5	7.4	0	4.7	
Iraq	0	5.2	2.3	1.0	
Israel	79.0	75.0	75.0	75.0	
Jordan	0	0.8	0	0	
Lebanon	40.9	0	0.8	13.0	a/
Libya	0	0	0	0	250.0
Pakistan	37.5	54.0	0	0	
Saudi Arabia	0	0	42.0	0	
<i>Total</i>	175.8	204.7	144.4	151.4	

a. Negotiations in process.

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Portugal, Israel, Tunisia, and Greece. For a listing of major French military equipment delivered to less developed countries, see Appendix B, Table 7.

French Arms Sales Campaign of the 1960s

7. French military equipment has always been competitively priced. Prior to the mid-1960s, however, sales were usually conducted on a cash basis. Then, in an effort to increase arms exports, the French began to extend medium-term credits. In recent agreements, repayment periods are believed to have averaged about seven years, although occasionally they have been extended for as long as 10 years. The interest rate has ranged between 2% and 8.2% and is usually around 5%. Appendix B, Table 6, shows the range of terms granted to some recent arms clients.

8. In addition to offering attractive credit terms, the French also have been willing to grant special concessions to particular buyers. France agreed in several instances to offset a specified portion of the costs of arms with purchases of local goods and services. Several French agreements with Israel provide that 25% of the contractual amount be used to purchase Israeli goods and services. In recent negotiations with Greece, France also offered to accept partial payment in commodities -- particularly tobacco. Other contracts have provided for the assembly of French equipment in the recipient country with French technical help, as in a 1968 contract to supply armored vehicles to Argentina. A 1970 agreement with Spain provided for Spanish production of Mirage aircraft components under French license.

9. The French also have taken advantage of US, UK, and Soviet arms embargoes to move into markets formerly supplied by one or more of these nations. In this way France became the sole supplier of military aircraft to Israel from the mid-1950s until 1968, when Paris instituted its own embargo on everything but spare parts. By that time, however, Israel had become the largest consumer of French arms, with total purchases of almost \$400 million. France sold military equipment to both India and Pakistan after their 1965 war and has placed no restrictions on Portugal's use of French equipment

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in Africa. In Latin America, where the United States has been reluctant to meet requests for jet fighter aircraft, the French moved in and sold Peru and Brazil a squadron of Mirages. Negotiations for the purchase of a squadron of French jet fighters also are under way with Argentina.

10. A further factor in the growth of French arms exports has been the conscious effort of France not to become openly involved in major regional conflicts or associated with either side in such conflicts. Arms bought from France, therefore, have not borne the ideological stigma often inferred in purchases of Soviet or US weapons, and the French have offered the only major alternative source to the United States and the USSR. Argentina turned to France for military equipment after announcing its "plan Europa" in 1968, under which it hoped the United States would be supplanted as the principal source of military equipment. In 1969, Algeria -- which has become increasingly disenchanted with its almost total dependence on Soviet weapons -- contracted to purchase French jet trainers.

Technical Assistance

11. France's military-technical assistance has been concentrated in its former African colonies. Over half the French military advisers and technicians serving abroad have been on assignment in these countries, which also take up roughly four-fifths of the foreign trainee slots at French military training facilities. France has borne almost all the costs -- over \$25 million annually -- of this assistance, which has in fact been by far the major form of the country's military aid to its ex-colonies. Much smaller quantities of technical aid have been associated with major French arms sales to other areas.

12. French technical aid is considerably smaller than corresponding US or Soviet programs, as shown in Table 4. Nevertheless, in 1968 and 1969 French military technicians were on assignment in more than 25 less developed countries, and nationals from about 30 of these states received military training in France (see Table 5). French training courses have covered a wide range of subjects, including staff training as well as operation and maintenance of equipment. This training has placed a burden on

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Table 4

Comparison of Military Personnel
Involved in Technical Assistance Programs
1968-69

<u>Donor Country</u>	<u>Persons</u>			
	<u>Trainees in Donor Country</u>		<u>Technicians in Less Developed Countries</u>	
	<u>1968</u>	<u>1969</u>	<u>1968</u>	<u>1969</u>
France	1,362	1,245	2,313	2,338
United States	5,835	6,095	3,485	3,150
USSR	3,585	2,865	7,000	6,560

limited French facilities. While in principle the French have a 20% quota on foreign enrollment in their military academies, levels have reached 35% in several schools.

13. Some 2,300 French military technicians were assigned to less developed countries in 1969 (see Table 5). Nearly 90% of these were stationed in Africa. These figures do not include French line units in Africa, such as those presently in Chad supporting the Fort Lamy government in a military action against dissidents. While some French military personnel stationed in former African colonies hold command and staff positions in the local armed forces, priority is being given to training African officers to take over these positions. Most French technicians are involved in instructing indigenous personnel in the use and maintenance of equipment.

14. Statements by French officials have indicated that France would like to reduce the size of its technical assistance program in its former sub-Saharan colonies, as an economy move. The program, however, is expected to continue at about the present level over the next two or three years.

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Table 5

Personnel Involved in the French
Military Assistance Program

Less Developed Country	Personnel Training in France <u>a/</u>		French Technicians in Less Developed Countries <u>b/</u>	
	1968	1969	1968	1969
Algeria	350	355	403	349
Argentina	5	7	3	3
Brazil	2	2	0	0
Burundi	2	2	0	1
Cambodia	N.A.	N.A.	300	160
Cameroon	N.A.	21	87	85
Central African Republic	19	19	86	87
Chad	4	4	166	289
Chile	2	1	0	0
Congo (B)	0	0	6	5
Congo (K)	10	27	0	0
Dahomey	15	15	17	45
Dominican Republic	1	2	1	1
Ethiopia	N.A.	N.A.	9	9
Gabon	7	17	40	89
India	N.A.	N.A.	0	0
Indonesia	0	25	0	0
Iran	65	65	0	0
Israel	N.A.	N.A.	0	0
Ivory Coast	109	109	108	152
Laos	61	69	145	75
Lebanon	81	25	0	0
Malagasy Republic	N.A.	N.A.	228	200
Mauritania	42	N.A.	104	89
Mexico	1	0	1	1
Morocco	500	400	400	400
Niger	N.A.	N.A.	70	95
Pakistan	12	12	9	15
Peru	18	12	0	12
Rwanda	N.A.	N.A.	2	1
Saudi Arabia	0	0	2	2
Senegal	N.A.	N.A.	103	103
Singapore	11	11	0	0
Togo	N.A.	N.A.	20	20
Tunisia	N.A.	N.A.	8	11

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Table 5

Personnel Involved in the French
Military Assistance Program
(Continued)

Less Developed Country	Personnel Training in France a/		French Technicians in Less Developed Countries b/	
	1968	1969	1968	1969
Upper Volta	45	45	N.A.	38
Venezuela	0	0	1	1
<i>Total</i>	1,362	1,245	2,313	2,338

a. Including some police trainees.

b. Including some working with police units.

Conclusions

15. Between 1966 and 1969 the value of French arms sales contracts, both under grant aid and commercial agreement, increased from \$661 million to about \$850 million a year. About one-fourth of these sales were accounted for by arms transactions with less developed countries, where only the United States and the Soviet Union surpass France as suppliers of arms. By far the largest part -- over 90% -- of the arms exported to the Third World during this time period were commercial sales. Even though arms exports have made up only about 6% or less of total exports to less developed countries, they nevertheless have augmented France's export earnings by an average of \$150 million a year since 1966, thus helping France to maintain the third largest arms production capability in the world, exceeded only by those of the United States and the USSR.*

16. While the growth of French arms exports reflects primarily France's efforts to increase

* Arms exports to the Third World make up a much greater percentage of Soviet exports to Third World countries -- some 31% in 1968.

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export earnings and to find additional outlets for the products of its growing armaments industry, recent major arms sales also have been an important means of reasserting French influence in the Mediterranean area. Almost two-thirds of French arms sales to the Third World during the past four years have been concentrated in this area. Already in 1970 the French have signed agreements with Libya and Spain involving the delivery of some 140 Mirage fighter aircraft.

17. The recent success of French exports is due in large part to the aggressive sales campaign waged by French arms salesmen. Since the mid-1960s the French have offered arms on medium-term credits, at relatively low rates of interest. In several cases, France has offered attractive sales packages, involving partial repayment in local goods and local assembly or production under French license.

18. A very small portion (about 8%) of total exports have been provided under government grants, chiefly to former French colonies in Africa. Although France is likely to continue to provide its ex-colonies with modest amounts of military equipment in the form of grants-in-aid, it is already trying to reduce the cost of technical assistance -- its major form of aid to these nations -- by gradually replacing French advisers and technicians with African officers as they are trained.

19. So far this year, contracts for some \$400 million worth of military equipment have been concluded with less developed countries -- the largest annual volume of sales to these countries to date. Moreover, negotiations for additional sales are in progress. The demand for French military equipment is expected to continue to increase over the next several years, in response to the growing desire of many less developed countries to modernize their military inventories. Aircraft sales should continue to spearhead the French export drive in the Third World.

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APPENDIX A

Administration of French Arms Sales

The Delegation Ministerielle pour l'Armement (DMA) has the day-to-day responsibility for the French arms sales program. DMA reports directly to the Minister of Defense. In conjunction with DMA an office called Direction des Affaires Internationales (DAI) initially determines whether a proposed export sale falls within France's armaments policy. If the sale is approved it is then referred to the Commission Interministerielle d'Etudes des Exportations de Materielle de Guerre, composed of deputy ministers, who determine finally whether the sale conforms to France's political interests. If the sale is a particularly important one, it may be referred to the president.

France's arms industry is largely government-owned. The Alouette helicopter, AMX tank, and various antitank missiles are produced by government-owned corporations. The large private arms manufacturers -- Avions Marcel Dassault, producer of the Mirage fighter aircraft, and Engin Matra, manufacturer of a wide range of missiles, for example -- maintain a very close working relationship with their counterparts in the public sector; often they subcontract specific items to government factories.

Under the control of DMA are eight departments charged with supervising various aspects of the public segments of the industry, including the sale of its products. The organization and factories controlled by DMA operate on commercial principles, and all profits go to the treasury. The French government also assists private arms manufacturers, often finding foreign markets for their products, as in the recent French government policy decision to provide Mirage jet fighters to Libya.

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APPENDIX B

Statistical Tables

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Table 6
 Terms of French Arms Agreements
 with Selected Less Developed Countries a/
 1966-70

Less Developed Country	Year	Value (Million US \$)	Equipment Covered	Repayment Period	Interest Rate (Percent)
Argentina	1968	2.0	Engineering equipment	7 years	6
Argentina	1968	12.7	Tanks and self-propelled guns	7 years	6
Argentina	1969	2.4	Tanks and self-propelled guns	8 years	2
Congo (K)	1966	1.7	Helicopters	5 years	N.A.
Pakistan	1966	37.5	Submarines	7 years	N.A.
Pakistan	1967	35.0	Mirage aircraft	10 years	4.5 to 5.0
Peru	1967	15.6	Tanks	8 years	6
Peru	1967	28.0	Mirage aircraft	5 years	8.2
Rwanda	1966	0.7	Armored personnel carriers	3 years	N.A.
Saudi Arabia	1968	42.0	Armored personnel carriers	5 years	5
Spain	1970	90.0	Mirage aircraft	8 years	5.5
Venezuela	1966	5.6	Helicopters	10 years	3.5

a. These particular agreements were chosen because details on repayment periods and interest rates were available.

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Table 7
Major French Military Equipment Delivered, by Recipient
1954-69
(Continued)

Equipment	Units								
	Spain	Syria	Togo	Tunisia	Turkey	United Arab Republic	Upper Volta	Venezuela	Republic of Vietnam
<u>Land armaments</u>									
Tanks	-	-	-	-	-	-	-	40	-
Self-propelled guns	-	-	-	-	-	-	-	-	-
Armored vehicles, personnel carriers, and cars	35	-	-	-	-	-	11	-	-
Artillery pieces	-	-	-	-	-	-	-	-	-
Recoilless rifles	-	-	5	24	-	26	N.A.	-	-
Mortars	-	-	-	137	-	-	33	20	-
<u>Naval ships</u>									
Destroyer escort (DE)	-	-	-	-	-	-	-	-	-
Submarine (SS)	-	-	-	-	-	-	-	-	-
Submarine chaser	-	1	-	-	-	-	-	-	-
Motor torpedo and missile boats	-	-	-	-	-	-	-	-	-
Other, including auxiliary boats and landing craft	-	-	-	12	-	-	-	9	1
<u>Aircraft</u>									
Prop bombers	-	-	-	-	-	-	-	-	-
Jet fighters	-	-	-	-	-	-	-	-	-
Transports	-	-	1	3	-	-	1	-	-
Helicopters	-	-	-	11	-	-	-	17	3
Other	-	-	1	14	14	-	1	-	-
<u>Guided missile systems</u>									
Air-to-surface	-	-	-	-	-	-	-	-	-
Air-to-air	-	-	-	-	-	-	-	-	-
Surface-to-surface	-	-	-	-	-	-	-	-	-
Antitank	-	-	-	-	-	-	-	1,000	-

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