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Central Intelligence Agency



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DIRECTORATE OF INTELLIGENCE

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Yugoslavia: Arms Sales, Services to Iran

Summary

Iran is a moderately important market for exports of Yugoslav arms and military-related services, although well behind Iraq, Libya, and some other countries. In 1985, the last year for which we have sufficient data, Yugoslav military sales to Iran totaled an estimated \$80 million, less than 10 percent of Belgrade's worldwide sales. Western charges that Iran is sponsoring terrorism have caused Belgrade to become increasingly wary in its military dealings with Tehran to avoid the stigma of supporting a regime under widespread international sanction. [redacted]

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In the event of somewhat increased US pressure to halt arms sales, Yugoslavia probably would continue to:

- o openly provide non-lethal services and military construction to Iran;
- o use intermediaries to hide sales of items such as aircraft and artillery;
- o avoid altogether sales of terrorist-specific items.

Belgrade probably would adhere to an international arms embargo on Tehran only if it believed that support were widespread and severe sanctions would be imposed on non-complying states. [redacted]

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This memorandum was prepared by [redacted] Southeast Europe Branch, East European Division, Office of European Analysis. It was requested by Col. John Berry, OSD/ISP. Comments and questions are welcome and should be addressed to [redacted] Chief, East European Division [redacted]

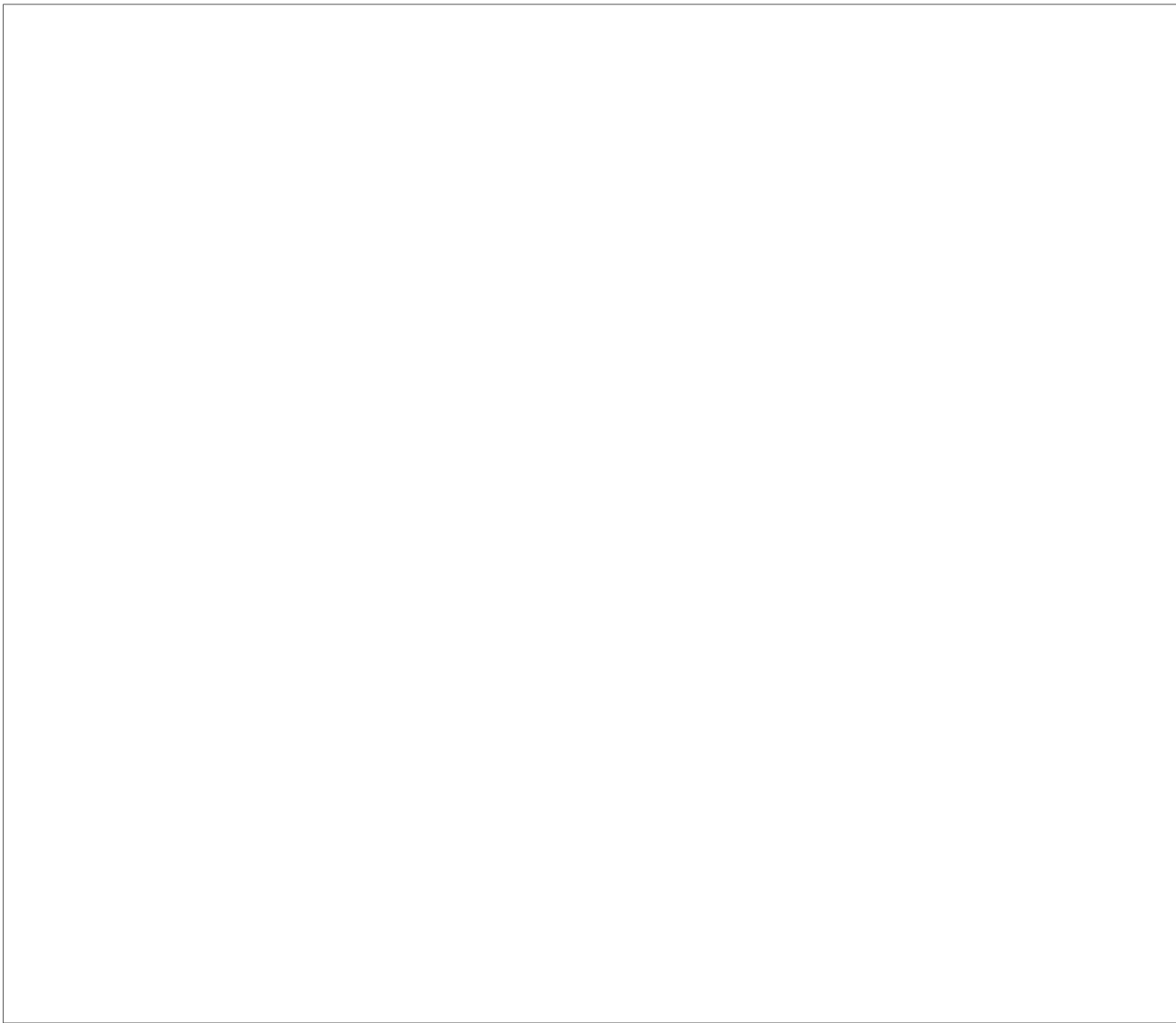
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Outlook

Yugoslavia probably will continue to provide military items and services to Iran on a case-by-case basis:

- o Unless placed under harsh international sanctions, Belgrade is likely to continue--and publicly admit to--its least sensitive services, such as military construction projects.
- o Fearing Western discovery and adverse publicity, Belgrade probably will avoid selling terrorist-specific military goods to Iran or to other countries that might resell to Iran, such as Libya. Belgrade's recent election to UN Security Council will further restrain it from this type of sales.
- o Belgrade is likely to continue sales of big-ticket, highly lethal weapons--such as aircraft and artillery--even in the face of moderately increased Western

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pressure. But it will continue to hide such sales by working through third-country intermediaries and entrepreneurs. We believe Yugoslavia would respond positively to a US-led embargo on such sales to Iran only if convinced that all major Western and Soviet Bloc suppliers were participating and that sanctions against non-participants would be effective. [redacted]

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