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# East European Involvement in the International Gray Arms Market

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An Intelligence Assessment

**Secret**

GI 84-10019  
January 1984

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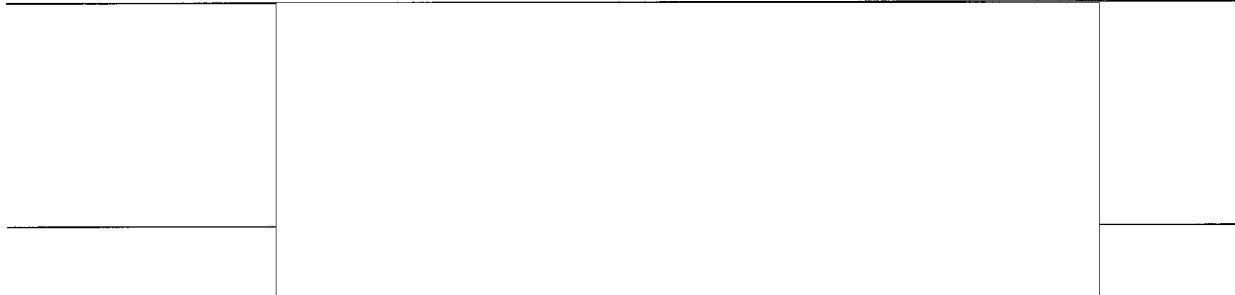


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# East European Involvement in the International Gray Arms Market [Redacted]

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An Intelligence Assessment

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This paper was prepared by [Redacted]  
International Security Issues Division, Office of  
Global Issues. It was coordinated with the  
Directorate of Operations. [Redacted]

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Comments and queries are welcome and may be  
directed to the Chief, Weapons Proliferation Branch,  
OGI, on [Redacted]

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### East European Involvement in the International Gray Arms Market

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#### Key Judgments

*Information available  
as of 15 December 1983  
was used in this report.*

In addition to the direct sale of military equipment to other governments, most East European nations sell arms and munitions to private dealers and brokers on the international gray arms market. Because of the absence of effective end user controls, much of the ordnance sold on the gray market is acquired by belligerent or embargoed nations and terrorist, insurgent, or criminal groups throughout the Third World and Europe. (b)(3)

To ensure government control and to provide an element of cover, East European gray-market arms transactions are conducted by state-owned foreign trade organizations, which also engage in government-to-government military sales or commercial arms deals with legitimate foreign clients. Nominally subordinate to their respective ministries of foreign trade, most of these organizations have ties to Bloc military and security services. Given the special role these services play in implementing the policies of the East European Communist parties, we believe that these state-controlled trading firms could not engage in gray-market arms sales without the approval of the political leadership. (b)(3)

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We believe that Moscow has traditionally imposed few restrictions on East European gray-market arms sales. (b)(3) however, that the Soviets may have recently increased their control over such transactions as a result of European press allegations of Bulgarian involvement in arms and drug smuggling. (b)(3)

Most East European gray-market arms sales involve conventional small arms that fire Soviet- and Western-caliber ammunition. Although far less sophisticated than other weapons sold on a government-to-government basis, such weapons constitute a major part of insurgent, terrorist, and criminal arsenals. Some East European nations reportedly also supply gray-market clients with unmarked "sterile" weapons or counterfeit copies of Western small arms. In addition to pistols, rifles, and submachineguns, East European arms suppliers also offer man-portable antitank and anti-aircraft weapons to gray-market clients. (b)(3)

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We believe that East European involvement in the international gray arms market is prompted both by political and economic motives:

- Gray-market arms sales allow Bloc nations to earn badly needed hard currency. Our tentative estimate is that East European gray arms sales amount to some \$100 million annually. In contrast with many other East European manufactured goods that have difficulty competing on the international market, East European weapons are well made, relatively inexpensive, and sought after by gray-market clients.
- The use of gray-market trading firms enables East European nations to purchase advanced Western weapons, which they would otherwise be unable to obtain, and to profitably dispose of their surplus and obsolete military stock.
- The use of gray-market intermediaries also allows East European governments to distance themselves from the ultimate end user of their weapons and to maintain an element of deniability should their weapons be discovered in the possession of a politically embarrassing recipient.

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We believe that Eastern Europe's involvement in the gray arms market will continue and probably increase—given the growing demand for illicit weapons throughout the Third World and the large sums of hard currency to be earned in servicing this market. Moreover, East European nations may begin selling more advanced ordnance to gray-market clients in order to maintain and expand their share of lucrative sales. As a result, we expect that significant quantities of silenced weapons, night-vision scopes, automatic grenade launchers, and the newest versions of Bloc man-portable antitank and anti-aircraft weapons will soon become regularly available on the international gray arms market. Much of this ordnance will be acquired by nations or groups inimical to the interests of the United States.

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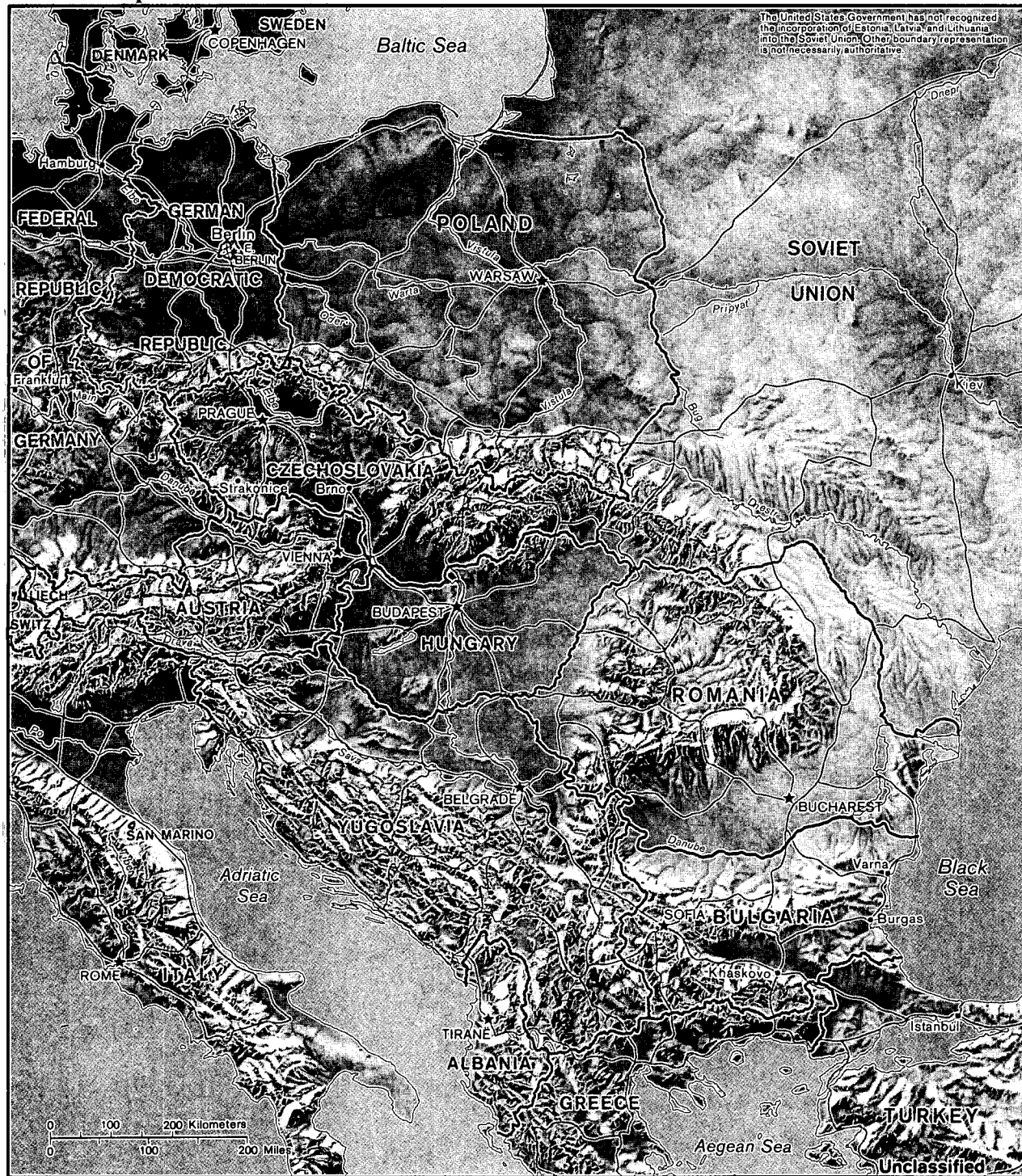
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**Eastern Europe**



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### East European Involvement in the International Gray Arms Market

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#### Introduction

Most East European nations are actively involved in the gray arms market, the sale of arms and munitions on other than a direct government-to-government basis.<sup>1</sup> Because much of this ordnance is acquired by belligerent nations or by terrorist, insurgent, or criminal organizations throughout the Third World and Europe, such sales represent a dangerous form of weapons proliferation. This intelligence assessment examines gray-market arms dealings by East European countries and the political and economic incentives that prompt such sales. A discussion of individual East European arms suppliers, their practices, and the types and ultimate use of some of the weapons they provide is presented in greater detail in the appendixes.

- *Bulgaria* purchases significant quantities of foreign weapons for subsequent resale on the gray arms market. Sofia, in exchange for a fee, will also expedite the flow of arms and other contraband across Bulgarian borders.

and Drug Enforcement Administration

- *Poland*—with the largest trade deficit of all East European nations—makes large numbers of weapons available to gray-market dealers. Polish arms may, in fact, soon replace some Czechoslovak models as the preferred weapons of many Middle Eastern terrorist groups.

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- *Hungary* also sells weapons to private arms dealers,

Analysis of captured terrorist weapons suggests that Hungary may specialize in the supply of counterfeit Western weapons.

- *Romania*, a relatively new supplier to the gray arms market, currently has more firms engaged in gray-market transactions than any other East European nation.

- *East Germany* has a limited capacity for arms production and, like Bulgaria, may serve as a broker of gray-market weapons.

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We believe that East European nations are major suppliers of gray-market weapons. Our estimate is that East European gray arms sales amount to some \$100 million annually. Because of the secretive nature of the market and general lack of sufficiently detailed reporting, the actual value may be several times greater. Although the amount of gray-market arms sales is small compared to the annual value of East European government-to-government arms deliveries—which averaged \$2 billion over the last five

#### Scope and Magnitude

In contrast to government-to-government and licensed commercial arms sales, the gray arms market encompasses the transfer of weapons and munitions from legitimate arms suppliers through unofficial—and sometimes illegal—intermediaries. Although the intermediary is often a private individual, corporation, or group, state-controlled enterprises often facilitate the movement of weapons into the international gray arms market. East European nations are actively involved in this market, primarily as suppliers, but occasionally as middlemen or ultimate recipients:

- *Czechoslovakia*, the largest manufacturer and exporter of land armaments in Eastern Europe, is probably the single leading Bloc supplier of gray-market weapons. Czechoslovak arms are reliable, relatively inexpensive, and have been found in the possession of criminal, insurgent, and terrorist groups throughout the Middle East and Europe.

<sup>1</sup> This paper examines the gray arms market activities of Czechoslovakia, Bulgaria, Poland, Hungary, Romania, and East Germany. Yugoslavia is not discussed because it is not part of the Warsaw Pact and its arms sales policies in general are formulated independently, without Moscow's direction and approval.

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**Table 1  
State-Owned Trade Organizations  
Engaged in Arms Transactions**

Country	Trade Organization
Czechoslovakia	Omnipol Mercuria
Bulgaria	Kintex
Romania	Romtehnica National Aeronautical Center (CNA) Dimex Terra Fata DCD
Hungary	Technika Weapons and Gas Works Factory (FEG)
Poland	Cenzin Universal
East Germany	Engineering-Technical Foreign Trade Corporation (ITA)

This table is [redacted]

special importance of Bloc military and security services, it is highly unlikely that these state-controlled trading firms engage in gray arms sales without the approval of the political leadership. [redacted]

Most of these foreign trade organizations are primarily involved in overt arms transactions, which provides an element of cover for their gray-market activities. Omnipol, Kintex, Romtehnica, Technika, and Cenzin normally supply weapons on a government-to-government basis, and Mercuria, Universal, and Kintex usually handle legitimate commercial arms deals with foreign clients, but each of these firms also sells weapons to gray-market clients. (S NF)

**Soviet Role**

We do not know if Moscow is directly involved in the international gray arms market. Soviet firms and officials do not appear to sell weapons to private arms dealers as do their East European counterparts, but Soviet weapons have been discovered in the possession of a wide range of terrorist and insurgent groups. This suggests that, at a minimum, Moscow fails to exercise adequate control over the military equipment it supplies to lesser developed countries.<sup>2</sup> We believe, moreover, that the Soviets provide weapons to Palestinian groups and patron-state supporters of terrorism with the full knowledge that some of these weapons are resold, traded, or given to other recipients. Although we do not know the exact amount, many of these arms undoubtedly become available to gray-market dealers and clients. (S NF)

There is little doubt that Moscow is well aware of East European involvement in the international gray arms market. We believe the USSR has traditionally imposed few restrictions on these transactions provided the ordnance supplied is limited to small arms, crew-served infantry weapons, and munitions. Press

<sup>2</sup> Although it is common practice among states exporting military weapons to impose some sort of nominal end-use controls over such ordnance, these controls vary widely. Some suppliers, such as the United States, insist as a precondition for arms transactions that recipients agree not to retransfer any weapons without the consent of the original supplier. Other arms-exporting states assume no responsibility for retransfers of their military equipment. [redacted]

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years—gray-market sales pose a danger far in excess of their actual monetary value. In contrast to most official arms transactions—where at least nominal control is maintained over the final disposition of the weapons involved—the ultimate recipient of a gray-market weapon is seldom known in advance. This lack of accountability is further compounded by the longevity of modern small arms, which are easy to maintain or refurbish. These factors allow gray-market weapons to be bought and sold many times and preclude tracing them through complete purchase-to-delivery cycles [redacted]

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**Trading Mechanisms**

East European gray-market arms transactions are conducted by state-owned foreign trade organizations (table 1). Although nominally subordinate to their respective ministries of foreign trade, most of these state trading companies [redacted]

are [redacted] influenced by military and security officers. [redacted]

[redacted] Given the pervasive power of East European Communist parties and the

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allegations of Bulgarian—and, by implication, Soviet—involvement in illicit arms transfers may, however, have caused Moscow to increase its control over East European gray-market activities.

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[Redacted]

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**Gray-Market Weapons: Small Arms**

The majority of East European gray-market arms transactions involve conventional small arms and munitions rather than the more sophisticated weapon systems sold on a government-to-government basis.

[Redacted] such

sales include pistols, assault rifles, and machineguns of proven Soviet design. They also include weapons produced in Eastern Europe that fire Western-caliber ammunition, which is readily available throughout Europe and the Third World (table 2).

[Redacted]

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Some East European nations apparently also manufacture and sell unmarked or counterfeit firearms.

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[Redacted]

[Redacted] Bulgaria and Czechoslovakia produce quantities of unmarked weapons, which are sold to terrorists throughout the Middle East. Analysis of captured terrorist weapons suggests that Hungary also sells counterfeit [Redacted] Western weapons on the international gray arms market.

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**Table 2  
Typical East European Small Arms  
Available on Gray Arms Market**

Weapon	Caliber <sup>a</sup>	Manufacturer
<b>Handguns</b>		
Duo	6.35 mm*	Czechoslovakia
M-52	7.62 mm	Czechoslovakia
CZ-70	7.65 mm*	Czechoslovakia
AP-66	7.65 mm*	Hungary
Walam	7.65- and 9-mm Short*	Hungary
Firebird	9-mm Parabellum*	Hungary
FP-9	9-mm Parabellum*	Hungary
CZ-75	9-mm Parabellum*	Czechoslovakia
P-64	9-mm Makarov	Poland
<b>Submachineguns</b>		
Skorpion	7.65 mm,* 9-mm Short,* 9-mm Parabellum,* 9-mm Makarov	Czechoslovakia
WZ-63	9-mm Makarov	Poland
<b>Assault rifles</b>		
VZ-58	7.62 mm	Czechoslovakia
AK-47 and AKM	7.62 mm	Poland, Romania, East Germany, Hungary, Bulgaria
<b>Sniper rifles</b>		
FPK (Dragunov)	7.62 mm	Romania

<sup>a</sup> Asterisk (\*) denotes Western calibers.

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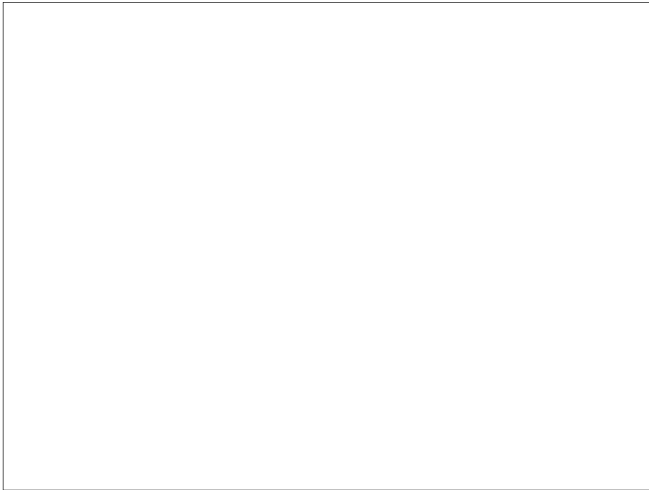
Besides selling their own ordnance, East European nations also purchase large quantities of Western small arms on the gray arms market. Because these weapons are incompatible with those in use by East European military and security services, they are almost certainly intended for resale to gray-market clients with access to Western ammunition:

[Redacted] and State Department [Redacted]

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**Gray-Market Weapons: Advanced Equipment**

(b)(1) In addition to small arms, East European nations also  
(b)(3) sell more sophisticated ordnance on the gray arms market



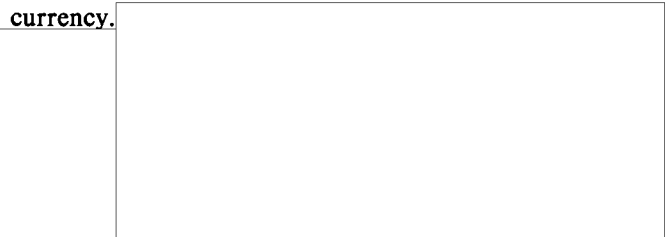
**Motivations**

**Economic Incentives**

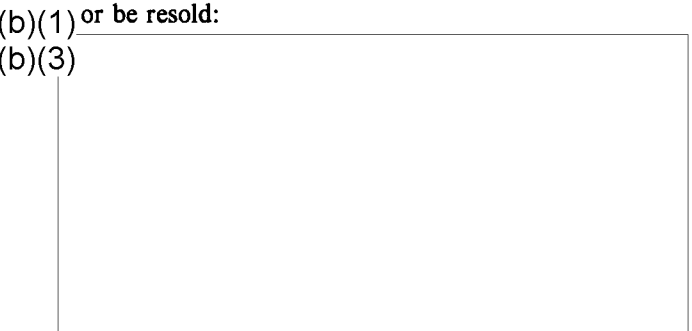
We believe that East European nations sell arms on the international gray arms market for many of the same economic reasons that underly their direct government-to-government arms transactions. Faced with rising trade deficits, these countries have increasingly turned to arms exports to earn hard currency.

(b)(3) Press reports also indicate that SA-7s were discovered in 1973 and 1979 in the possession of suspected Palestinian terrorists in Italy.

East European nations also use gray-market intermediaries to purchase advanced Western military equipment, which they would otherwise be unable to obtain. Weapons acquired in this manner can either be retained for familiarization or reverse engineering or be resold:



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[Redacted] A wide variety of Drug Enforcement Administration and [Redacted]

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Gray-market sales offer several distinct advantages over official transactions. [Redacted]

[Redacted] are aware of the source of these funds. [Redacted]

[Redacted] for example, East European nations almost invariably stipulate payment in cash—usually in US dollars or West German marks. This results in an immediate infusion of convertible currency, precludes complicated, long-term financial arrangements, and makes tracing such transactions more difficult. Gray arms market dealings also permit Bloc nations to profitably dispose of obsolete and surplus weapons, which would otherwise have to be stored, reconditioned, or given away as foreign military aid:

**Political Considerations**

The use of gray-market intermediaries allows East European governments to distance themselves from the ultimate end users of their weapons and to maintain an element of deniability should Bloc weapons be discovered in the possession of politically embarrassing recipients. Thus, by dealing through foreign arms dealers or, in some cases, other governments, East European nations can sell to a wide range of customers without being seen as selling weapons or supplying nonsocialist countries. The following represent some examples of such activities:

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[Redacted]

- Bulgaria—acting through private West German and Austrian arms dealers and a Danish shipping firm—sold nearly \$50 million worth of small arms and ammunition to South Africa during 1976-80, according to European press reports published after two Danish sailors exposed the operation.<sup>3</sup> A Danish Foreign Ministry official told a US Embassy officer in 1983 that the Danish Government has known for some time that Bloc countries have been involved in arms shipments to South Africa.

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East European nations occasionally trade weapons for commodities, either for their own use or for resale.

[Redacted]

<sup>3</sup> Such sales are presumably an attempt to earn hard currency while keeping Angola dependent on Moscow during its disputes with South African-supported UNITA guerrillas. [Redacted] (b)(3)

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Although we cannot confirm Italian press allegations that East European governments supply arms to European terrorists in order to contribute to Western political instability, we believe that lax or nonexistent end user controls have allowed Bloc weapons purchased by private dealers, radical Arab states, and Palestinian organizations to be sold or traded to most major European and Middle Eastern terrorist groups. East European governments may not know the specifics of such arms transfers, but we doubt that they have ever required—or even requested—that their clients cease such activities.

[Redacted]

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We believe that East European nations also use the international gray arms market to curry favor with Moscow by acting as conduits for the supply of arms and munitions to pro-Communist governments, insurgents, and national liberation movements throughout the Third World.

[Redacted]

Various Palestinian groups have also received large quantities of Bloc arms:

- Photographs of materiel captured in 1982 by Israeli forces in Lebanon show original factory crates of Polish rifle-grenades consigned to the Popular Front for the Liberation of Palestine/General Command.

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According to press reports, Polish weapons were also used in a number of other terrorist attacks on Israeli and Jewish targets in Europe during 1982. It is possible that some of these attacks may have been a form of "payment in kind" by West European terrorist groups for arms supplied in the past by Palestinian terrorists.

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[Redacted]

Besides facilitating the sale of arms to customers with access to Western ammunition, East European acquisition of Western small arms may be an attempt to ensure that Western weapons turn up in terrorist arms

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Polish rifle-grenades captured in Lebanon in 1982. Address on crate indicates that these weapons were intended for use by the PFLP/General Command.



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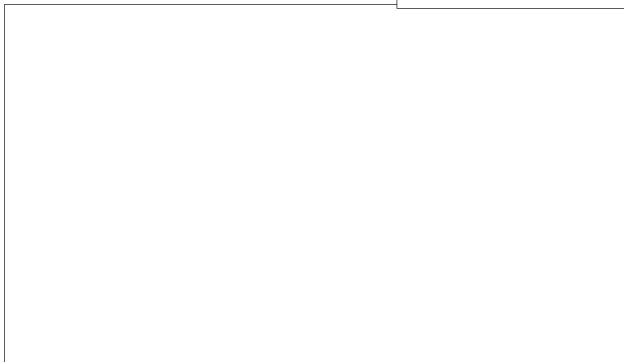
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*Charred Czechoslovak and Polish submachineguns recovered from the site of an Armenian terrorist attack on a Turkish diplomatic residence in Portugal in July 1983.* [redacted]



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caches. For example, according to [redacted]



expect that to compete most East European suppliers will not only offer larger quantities of conventional rifles and pistols at competitive prices but also supply increasingly greater amounts of sophisticated ordnance to gray-market customers. As a result, significant quantities of silenced weapons, night-vision scopes, heavy machineguns, automatic grenade launchers, recoilless rifles, and the newest versions of Bloc man-portable antitank and anti-aircraft weapons may become regularly available to gray-market buyers by the late 1980s. We expect that terrorist, insurgent, and criminal organizations, as well as nations hostile to the United States, will have little difficulty in purchasing such ordnance. [redacted]

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**Outlook**

We expect that East European involvement in an expanding international gray arms market will increase in the near term. Continued instability in the Third World, arms embargoes on such nations as Argentina and South Africa, the Iran-Iraq war, and the rearming of the PLO as a result of massive materiel losses during the Israeli incursion into Lebanon all represent potentially lucrative markets for East European arms suppliers seeking to earn badly needed hard currency. [redacted]

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Recent media reporting of Bulgarian arms-smuggling activities will probably have little permanent effect on East European gray-market arms operations other than causing the countries involved to exercise greater caution—including the use of additional intermediaries. They are not likely, however, to reduce significantly their level of involvement in a market that is not only financially lucrative, but also pays substantial political dividends to Moscow. For this reason, we also believe that East European governments would not respond positively to any US initiative to curb the flow of arms and munitions into the gray arms market. [redacted]

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At the same time, however, we believe that, given the increasing number of developing nations—such as China, Singapore, Brazil, South Africa, and Egypt—that manufacture and export small arms, East European nations will experience greater competition. We

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**Appendix A**

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**Czechoslovakia**

We believe that Czechoslovakia is one of Eastern Europe's largest suppliers of gray-market weapons—particularly of well-made, relatively inexpensive small arms. With a well-developed industrial base and a strong engineering tradition, Czechoslovakia has had a long and profitable history as an arms manufacturer since before World War I.

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Czechoslovakia is today the most prolific manufacturer and exporter of land armaments in Eastern Europe, not only manufacturing Soviet equipment under license, but also producing a higher proportion of weapons of domestic design than any other Soviet satellite.

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**Omnipol**

Czechoslovak military sales are primarily the responsibility of the Omnipol foreign trade organization, a part of Obtechsprava—the Commercial-Technical Directorate—of the Czechoslovak Ministry of Foreign Trade.

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[Redacted]

We believe that Omnipol's activities include both government-to-government transfers of heavy ordnance and gray-market sales of small arms. Although Czechoslovak foreign trade directories identify Omnipol as an exporter of hunting and sporting firearms, ammunition, sports and light civil aircraft, and blasting equipment,

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Omnipol serves as a covert supplier of arms and offers a wide range of military ordnance, vehicles, and

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equipment. Various sections within Omnipol specialize in such items as military jet trainers; radars and other airport equipment; rocket and grenade launchers, rifles, mines, and ammunition; tanks and armored vehicles; military production facilities; and military training of foreigners in Czechoslovakia. Although Omnipol probably sells most of these products to other governments, it has also supplied large quantities of small arms and ammunition to gray-market clients.

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[Redacted]

**Merkuria**

We believe that since the mid-1970s another foreign trade enterprise, Merkuria, has increasingly assumed responsibility for Czechoslovak gray-market arms transactions. Although little is known about Merkuria or the nature of its relationship with Omnipol, an analysis of available reporting suggests that, although Omnipol exports small arms and ammunition, the bulk of its foreign sales seems to be in major military items such as tanks, aircraft, and factories. Merkuria, on the other hand, deals almost exclusively with small arms—particularly pistols and assault rifles—ammunition. Merkuria for example, in 1982 Merkuria was preparing to ship 9,000 unassembled rifles and pistols, valued at \$750,000, to Ghulan Mohd Dossul and Company, a small arms firm in Karachi, Pakistan, at the same time that Omnipol was negotiating the sale of an \$18 million rifle factory with Dossul Engineering, Ltd., a Pakistani firm that appears to be colocated with Ghulan Mohd Dossul in Karachi. Similarly, although still identified in foreign trade journals as an exporter of "electrical and gas appliances, workshop tools, and household articles," in 1983 Merkuria displayed a large selection of military-style small arms at a major West European arms exhibition,

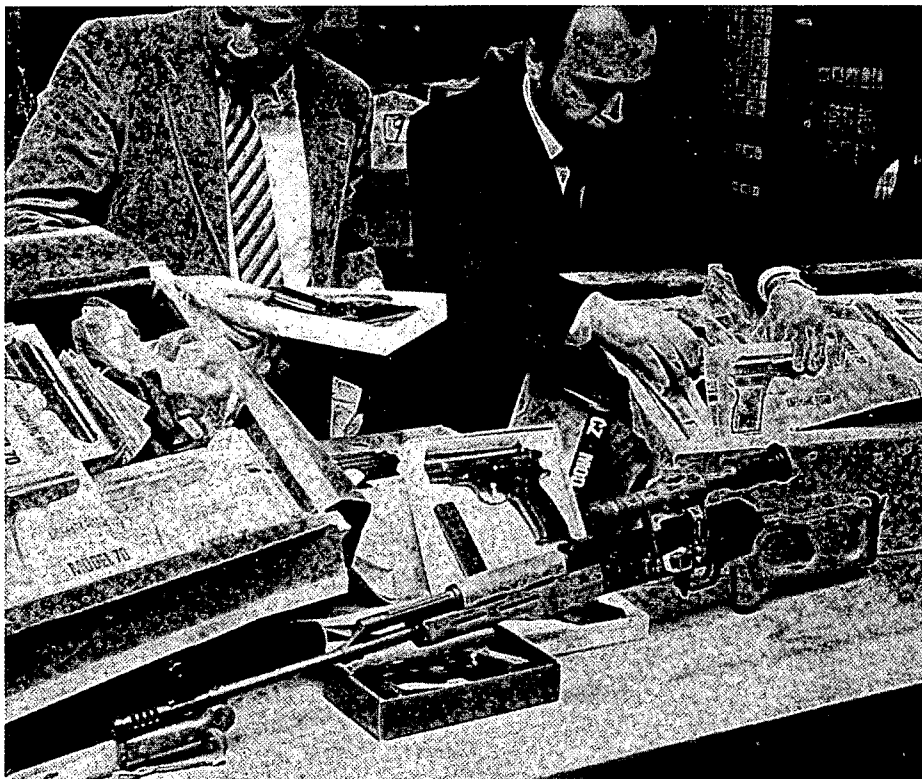
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Austrian authorities examine smuggled Czechoslovak and Romanian weapons seized in January 1983. [redacted]

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[redacted]  
Mercuria, unlike Omnipol, employs foreign arms  
(b)(1)lers and brokers as trade representatives abroad.

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authorities reported that the confiscated weapons included over 300 Czechoslovak pistols as well as seven Romanian FPK Dragunov-type sniper rifles. All of these weapons were reportedly still in their original factory cartons. Documents discovered in the van indicated that the pistols were consigned to a private Austrian arms dealer named Leopold Willert, while the sniper rifles were intended for Horst Grillmayer, another Austrian arms dealer who had been previously linked with the weapon used in the 1981 attempted papal assassination. [redacted]

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After being arrested and questioned, Willert admitted having purchased the pistols from Mercuria in Prague but stated that he never intended to import them into Austria. [redacted]

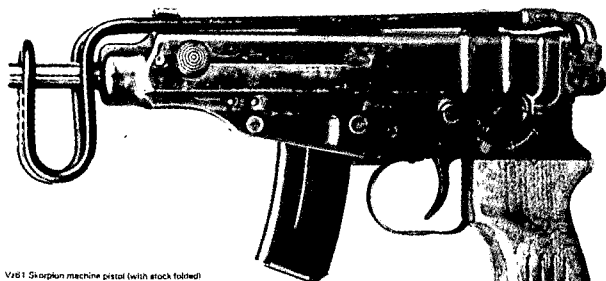
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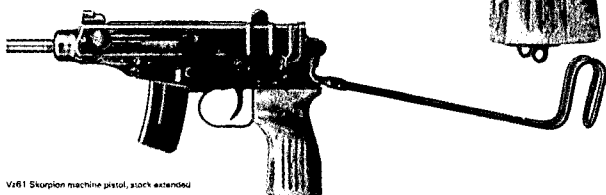
In addition to selling arms through foreign agents, Mercuria also sells weapons directly to private arms dealers and foreign customers. According to European press reports, for example, Austrian customs authorities at a border crossing with Czechoslovakia seized a van carrying illegal weapons hidden under a declared cargo of ammunition on 11 January 1983. Austrian

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V&B Skorpion machine pistol (with stock folded)



V&B Skorpion machine pistol, stock extended

*Skorpion. Seemingly tailor made for terrorists, the Skorpion is less than 11 inches long with its wire shoulder brace folded, weighs under 3 pounds, and is available with a sound suppressor, night-vision sight, and a "brass catcher" to collect the expended cartridges. A selective fire weapon, the Skorpion can operate on both the semiautomatic and full-automatic mode and has a cyclic rate of fire of over 750 rounds per minute. (u)*

safehouse by the international terrorist Carlos in 1975 and that Red Brigades terrorists killed former Italian Prime Minister Aldo Moro in 1978 with a Skorpion previously used by the Brigade to assassinate Francesco Coco, the Chief Prosecutor of Genoa.

[Redacted]

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[Redacted] a Skorpion was used in a submachinegun attack on a synagogue in Brussels in September 1982,

[Redacted]

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[Redacted]

Although these weapons may no longer be produced, Skorpions are still available on the international gray arms market. [Redacted] for example, an [Redacted] firm active on the gray market had 1,400 Model 65 Skorpions available for sale in mid-1982 for \$190 each—less than one-half the price of a well-made Western semiautomatic pistol. [Redacted]

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**Terrorist Use of Czechoslovak Weapons**

Czechoslovak small arms are particular favorites of terrorist, insurgent, and criminal groups—probably because so many fire easily obtainable Western ammunition. Of the four known versions of the Czechoslovak Skorpion submachinegun, for example, only the 9-mm Makarov Model 65 fires a Soviet cartridge. The others—the 9-mm Short (.380 ACP) Model 64, the 9-mm Parabellum Model 68, and the more common 7.65-mm (.32 ACP) Model 61—all shoot ammunition that is readily available throughout Europe and the Middle East. [Redacted]

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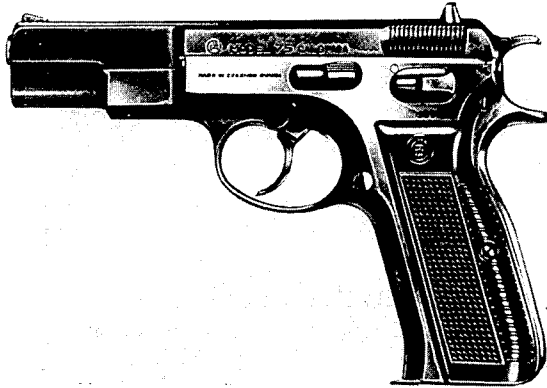
In an apparent attempt to capture a share of the market held by the Belgian-made Browning 9-mm Hi-Power pistol, the Ceska Zbrojovka Machinery Enterprise at Strakonice began production of the CZ-75—a large-frame, large-magazine-capacity pistol—in 1975. The CZ-75 was particularly popular among Turkish terrorists during the late 1970s because it chambered the same ammunition used in many of their submachineguns and is superior to the standard Turkish Kirikkale police sidearm, which holds only eight cartridges of far less powerful .32- or .380-caliber ammunition. [Redacted]

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During the late 1970s, the Skorpion was the preferred assassination weapon of Palestinian terrorists and of those groups they supported. Press reports indicate that two Skorpions were abandoned at a Parisian

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*CZ-75. This weapon closely resembles the Browning Hi-Power but features a 15-round clip and a double-action trigger, which allows the firearm to be carried ready to fire with the safety off, a round in the chamber, and the hammer down.*

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*CZ-70. Generally similar to the West German Walther Police Pistol, this small, defensive side-arm features a double-action trigger and high concealability, which apparently compensate for its underpowered cartridge and its limited magazine capacity of eight rounds.*

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unsuccessful attack on a US Embassy officer in 1981.<sup>5</sup>  


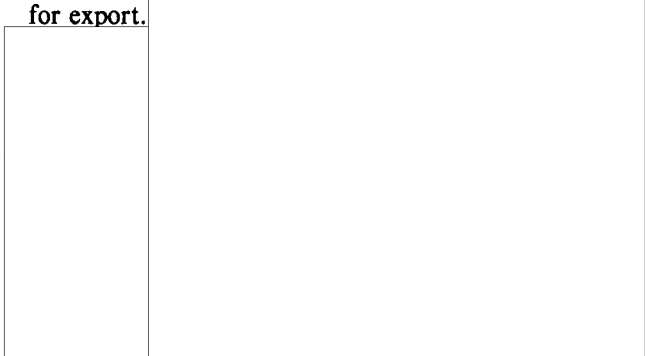
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Another popular Czechoslovak weapon is the 7.65-mm (.32 ACP) CZ-70 pistol, which—like the CZ-75—fires Western-caliber ammunition and is made for export.

In 1977 the Chief of the Netherlands Bureau for Firearms also told newspaper reporters that the Dutch market for illegal weapons was overrun by “CZ pistols” and that large shipments of these weapons were regularly intercepted coming by truck from Czechoslovakia via Austria to the Netherlands.

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(b)(3)



Czechoslovakia also produces the 7.62-mm VZ-58 assault rifle, which, although similar in concept and external appearance to the AK-47 and AKM, is quite

<sup>5</sup> We continue to believe, however, that these attacks may have been committed with 7.65-mm Czechoslovak Skorpion submachineguns and not with semiautomatic pistols. According to press reports, French authorities have stated that the empty cartridge cases recovered after all three attacks were fired from Czechoslovak weapons with a vertical ejection system. If these reports are true, then the murder weapons could not have been CZ-70 pistols or the older Czechoslovak 7.65-mm P-27 or CZ-50 pistols, which all have standard Mauser-type right-hand ejection ports. Except for one obscure pistol, which has not been manufactured since the early 1920s, the only Czechoslovak weapon in 7.65-mm with a vertical ejector is the Model 61 Skorpion.

(b)(3)

Other Czechoslovak pistols have also been reported in the possession of terrorist, insurgent, and criminal groups. According to press reports, French authorities claim that the same 7.65-mm Czechoslovak pistol was used in Paris to kill a US military attache and an Israeli diplomat in 1982, and that a different weapon of the same make and caliber was used in the

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different internally from the Soviet Kalashnikov rifle. [Redacted] after Japanese Red Army (JRA) terrorists used this weapon during the 1972 massacre at Lod Airport, a JRA unit adapted this weapon's designation, VZ-58, as its nom de guerre. In late 1979 a US military officer in Turkey observed a case of new, consecutively numbered VZ-58 rifles seized from an illegal arms shipment by Turkish authorities. More recently, [Redacted]

[Redacted]

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[Redacted]

[Redacted] This source also stated that a similar weapon was used during the assassination of anti-Mafia Carabinieri Gen. Dalla Chiesa and his wife in September 1982 and during the murder of Alfio Ferlito, the head of a Sicilian criminal family, who, along with three police escorts and a driver, was ambushed and killed in June 1982. [Redacted]

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**Appendix B**

**Bulgaria**

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Bulgaria has successfully capitalized on the highly lucrative international gray arms market by combining the role of arms dealer and middleman with the long-established Balkan tradition of smuggling. [redacted] and State Department reporting, Bulgaria has acquired huge quantities of Western and Bloc weapons that are either incompatible with or far in excess of its own domestic needs. In return for badly needed hard currency, many of these arms are sold to Third World governments such as Libya and Iraq, which support international terrorism, and to gray-market arms dealers and brokers.

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[redacted] Kintex has been responsible for buying and selling weapons, as well as for:

- Procuring embargoed Western high-technology items, such as computer components and special metals, for the Soviet Union and the Bloc. (b)(1)
- Legally acquiring certain Western commercial (b)(3) goods, such as whiskey and cigarettes, for resale in other countries.
- Facilitating the flow of contraband across Bulgarian borders. [redacted]

(b)(3)

**Kintex**

Bulgarian arms purchases and sales are the responsibility of Kintex—a state-controlled foreign trade organization described in official trade journals as an importer/exporter of special hunting, sports, and commissariat articles.

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(b)(3)

[redacted] Kintex [redacted] may use Bulgarian diplomats as sales representatives abroad. [redacted]

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[redacted] Kintex—[redacted]—is one of the smallest yet most financially profitable enterprises in Bulgaria.

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[redacted]

Headquartered in a modern, three-story building at 66 Anton Ivanov Boulevard in Sofia, Kintex also maintains warehouses near Khaskovo, where arms are prepared for export, and in the Black Sea ports of Varna and Burgas, from which weapons are shipped,

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[redacted]

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**Sources of Supply**

As an official representative of the Bulgarian Government, Kintex is able to acquire large quantities of weapons directly from West European manufacturers (table 3). State Department reports indicate, for example, that Kintex purchased 32,400 pistols between 1974 and 1976 and an additional 22,000 small arms in 1979 from West European sources. Even the United Kingdom exported 2,000 pistols to Bulgaria through "a clerical error" in 1980, according to State Department reporting.<sup>6</sup> (S NF)

Although most of the weapons it sells are produced in other countries, Kintex also serves as the export agent for Bulgarian-manufactured ordnance.

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[Redacted]

**Arms Smuggling**

[Redacted]

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In an apparent effort to diversify its sources of supply for Western small arms,

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[Redacted]

example,

[Redacted]

Impressive as these quantities of Western weapons are, we believe that most Bulgarian arms purchases are probably made from other Bloc nations-

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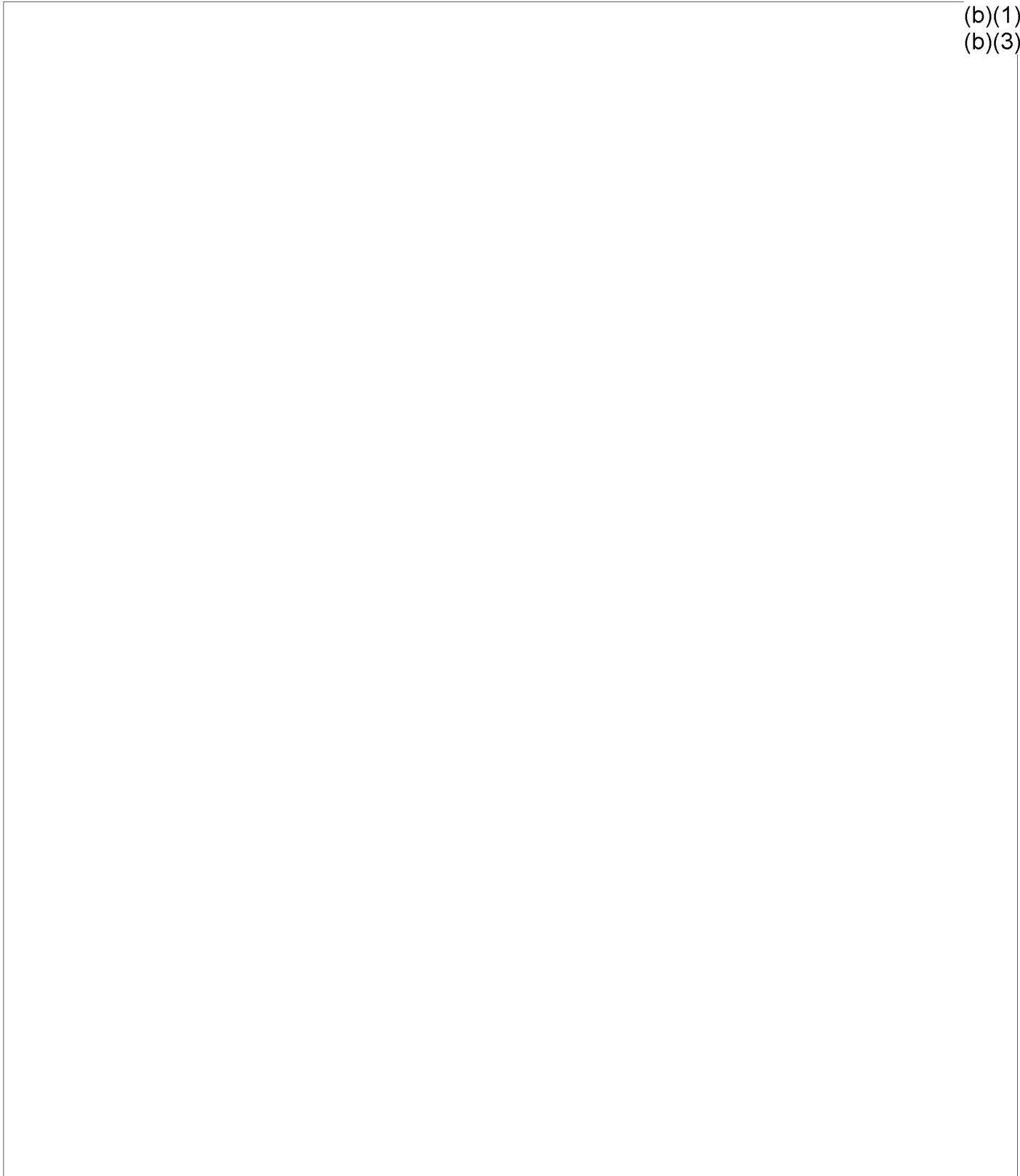
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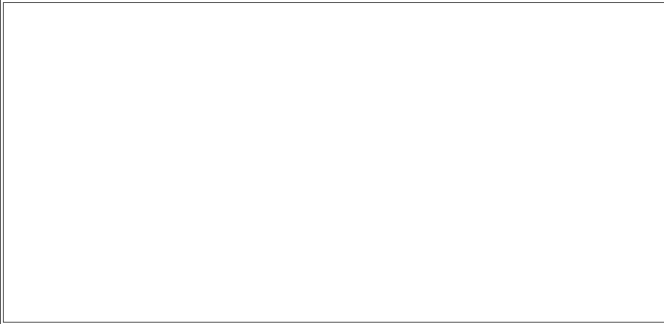
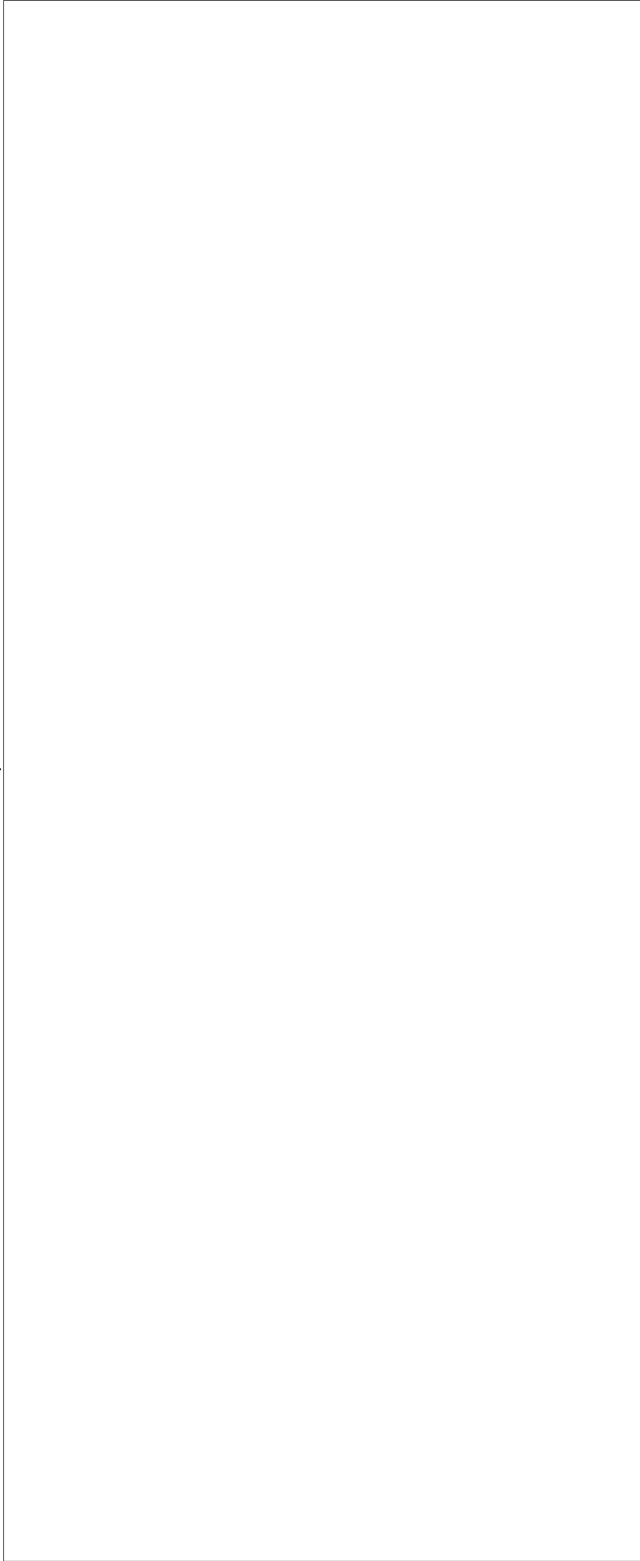


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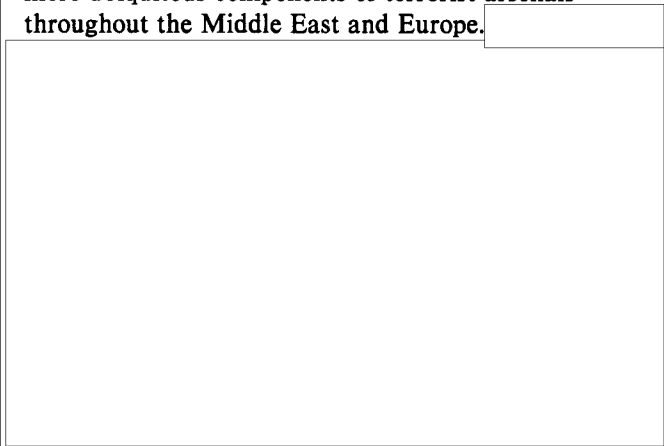
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**Terrorist Use of Bulgarian Weapons**

Although Bulgaria's involvement on the international gray arms market is largely limited to foreign weapons, the Bulgarian-manufactured PG-7 high-explosive, antitank, rocket-propelled grenade is one of the more ubiquitous components of terrorist arsenals throughout the Middle East and Europe.



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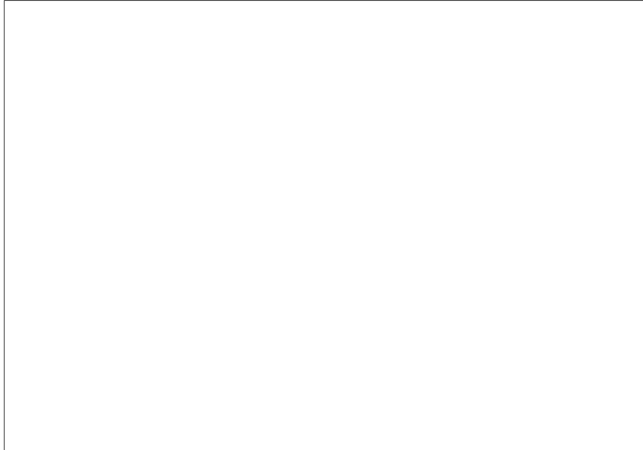


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**Appendix C**

**Poland**

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**Universal**

Another Polish firm engaged in arms exports is Universal, a foreign trade enterprise subordinate to the Polish Ministry of Foreign Trade. According to Polish trade directories, Universal is an import/export firm specializing in household appliances, musical instruments, camping and tourist equipment, and sports and hunting ammunition. We believe that Universal sells munitions primarily to private dealers and brokers, in contrast to Cenzin, which primarily engages in government-to-government arms sales.

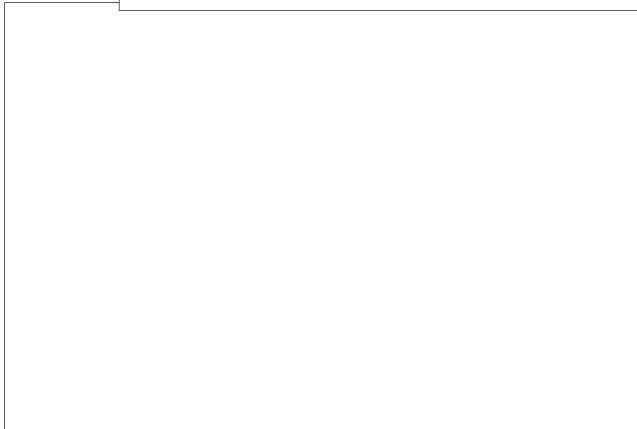
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**Cenzin**

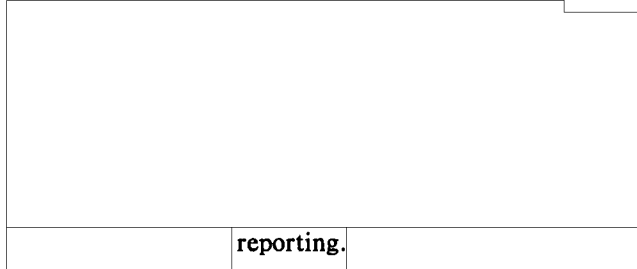
The Central Engineering Directorate—Centralny Zarzad Inzynierii (Cenzin)—of the Ministry of Foreign Trade is primarily responsible for Polish arms exports.

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Although the majority of its foreign sales are made on a direct government-to-government basis, Cenzin also sells arms directly to Palestinian organizations.

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(b)(3)



Universal may also provide weapons to terrorist groups. [redacted] on 7 Au(b)(1) 1981 an individual staying at the same hotel in (b)(3) as then leader of the Armenian Secret Army for the Liberation of Armenia (ASALA), Hagop Hagopian, informed Universal that its shipping delay was putting him in a difficult position with his customers. Press reporting indicates that, two weeks later, Lebanese

reporting.

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WZ-63. Two WZ-63 submachineguns were used by Palestinian terrorists in a 1976 attack on an El Al airliner in Turkey. Weighing less than 2 kilograms and measuring only 33 centimeters in length with its stock folded, the WZ-63—like the Skorpion—is easily concealed and can fire in either the semiautomatic or full-automatic mode.

(b)(3)

authorities seized a shipment of 473 Polish pistols illegally sent to Beirut on a Polish airliner. Given the tenuous links between Hagopian and the Syrian hotel, it is possible that these weapons were intended for ASALA operatives active in Lebanon.

(b)(3)

**Terrorist Use of Polish Weapons**

Polish weapons are also frequently encountered in the hands of terrorists. The Polish WZ-63 submachinegun, for example, may soon replace the Czech Skorpion as the preferred weapon of Middle Eastern terrorists. Unlike the Skorpion, the WZ-63 fires only the Soviet 9- by 18-mm Makarov cartridge, which is not readily obtainable outside the Bloc. The general unavailability of this ammunition has not, however, prevented a variety of terrorist groups from using the WZ-63 throughout Europe and the Middle East.

(b)(3)

Photographs of weapons recovered in July 1983, for example, indicate that Armenian terrorists used WZ-63 submachineguns during an attack on a Turkish diplomatic residence in Lisbon, Portugal. On 7 August 1982 two Armenian terrorists used WZ-63 submachineguns in an attack on Esenboga Airport in

Turkey, according to State Department reporting. Press reports indicate that, two days later, two Palestinian terrorists fired WZ-63s during a machinegun and grenade attack on a Jewish restaurant in Paris and that the same type of weapon had been used in the attempted assassination of Israeli Ambassador Argov in London on 4 June 1982 as well as in a raid on Vienna's central synagogue in August 1981.

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European terrorist groups also have access to this weapon—probably through radical Palestinian organizations, which supply arms and training in exchange for logistic and operational support from other terrorist groups.

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Press reports indicate that RAF terrorists also employed WZ-63s in a jailbreak of an imprisoned member in Berlin in 1978 and in the abduction of West German industrialist Hanns Martin Schleyer in 1977. In addition, a WZ-63 was recovered from the car in which RAF terrorist Juliane Plambeck died in an auto accident in 1980, according to press reports.

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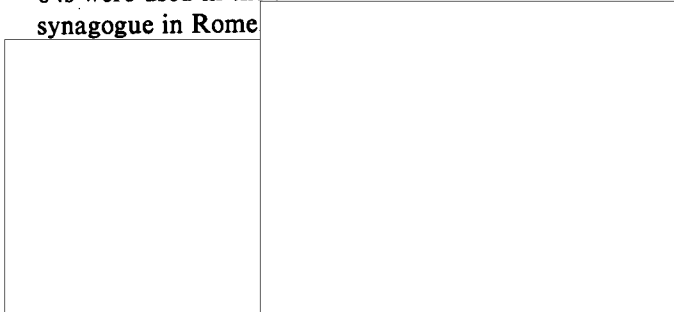
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*P-64. The double-action P-64 resembles the West German Walther PP but, like the WZ-63, fires the more powerful Soviet 9-mm Makarov pistol cartridge*

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Another popular terrorist weapon is the Polish P-64 semiautomatic pistol. Press reports indicate that P-64s were used in the 9 October 1982 attack on a synagogue in Rome



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**Appendix D**

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**Hungary**

[Redacted]

some of the weapons it produces.

[Redacted]

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Commercial

sales of FEG weapons appear to be handled by a firm called Ferunion, which, according to firearms journals, displayed samples of FEG-manufactured pistols and shotguns at a West German arms fair in 1983.

(b)(3)

**Technika**

Hungarian arms exports are handled primarily by the military supply organization Technika, [Redacted]

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[Redacted]

Technika is also involved in the sale of military equipment to private arms dealers. [Redacted]

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[Redacted]

**Terrorist Use of Hungarian Weapons**

Hungarian weapons frequently turn up in the possession of terrorists. Like Czechoslovakia, Hungary produces a variety of small arms patterned after popular European weapons and that fire readily available Western ammunition. Perhaps the most common are the numerous—and unauthorized—Hungarian versions of the West German Walther police pistol. Like the original Walther, these weapons feature a double-action trigger and are available in both 7.65-mm (the Walam, Hege, or AP66 pistols) and 9-mm short (the Walam or Model 48 pistol). The 9-mm Walam in particular was frequently used by Armenian terrorists in attacks on Turkish diplomats during the late 1970s. According to Interpol reports, four Walam pistols were used during the murders of three Turkish ambassadors, in Vienna in 1975, in Rome in 1977, and in The Hague in 1979. [Redacted]

(b)(3)

Although most weapons clearly identify their place of manufacture, some Hungarian pistols feature apparent West German markings with no overt Hungarian attribution. In 1981, for example, numerous "West German Firebird" pistols were confiscated from members of the FP-25 Movement in Portugal and from Basque ETA/PM terrorists in Spain, according

**FEG**

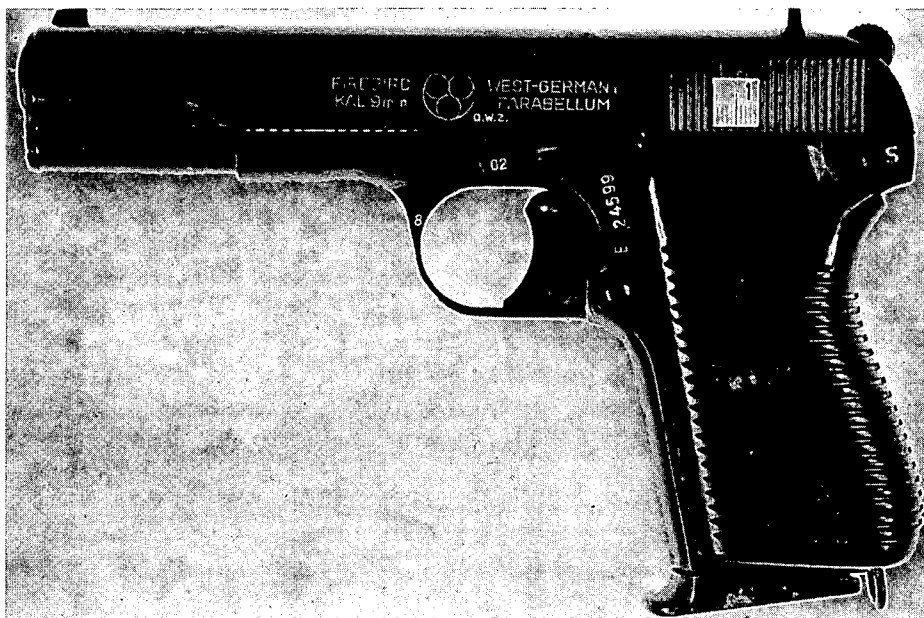
One of Hungary's main producers of small arms, Fegyver Es Gaz Keszulekek Gyara—the Weapons and Gas Works Factory (FEG)—may also directly sell

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**Firebird.** Although stamped "West Germany," the 9-mm Firebird is actually a Hungarian version of the Soviet 7.62-mm Tokarev TT33 pistol. Note Hungarian proofmarks and serialization. [redacted]

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(b)(3)

to local security officials. Small arms journals indicate that this weapon—originally known as the Tokagypt—was manufactured by Hungary for sale to the Egyptian armed forces. After the initial delivery, Egypt canceled the order, and the balance of the contract—estimated to be nearly 15,000 weapons—was released by Hungary to the commercial arms market. The words "West Germany" were presumably added to the slide legend at this time because many Firebirds were sold through the now defunct [redacted] Hungarian firm Hege Waffen. [redacted]

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In addition to its acquisition by Portuguese and Spanish terrorists, this weapon became almost standard issue in West Germany's Baader-Meinhof gang.

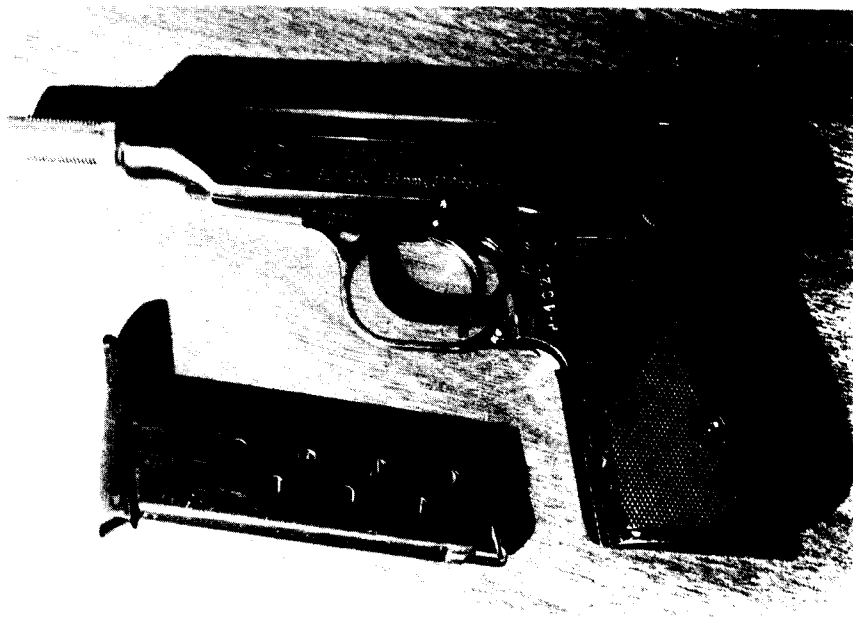
According to press reports, member Rolf Pohle purchased a number of Firebirds using forged gun permits until he was apprehended when an arms dealer in Ulm became suspicious of his papers. [redacted]

Photographs of arms captured in 1982 by Israeli forces from the Palestinians in Lebanon show what appear to be Hungarian 7.65-mm Walam pistols disguised to look like the Walther police pistol, after which they are modeled. Bearing Hungarian proofmarks on both the frame and slide, these weapons also have chamber indicators located on the upper left side rather than the rear of the slide—a feature unique to

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*Hungarian 7.65-mm Walam Pistol. These Walther look-alikes are stamped "GSM Mauser Oberaudorf Germany" even though the Mauser firm never produced the Walther PP pistol and is located in Oberndorf, not Oberaudorf. These pistols also feature special recoil springs and extended barrels threaded to accept silencers. (S NF)*



the Hungarian Walam. Because their slide legends contain obvious mistakes, we believe that these weapons were sold by Hungary without any attributive markings to a customer who knew little about German pistols but who sought to capitalize on the high prices commanded by German arms—especially in the Middle East.

(b)(3)

Browning Hi-Power and is reportedly available with a 12- or 24-round clip.

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(b)(3)

Although it has not yet been reported to have been used by terrorists, Hungary has recently begun production of a new 9-mm Parabellum pistol called the FP9. Like the Czechoslovak CZ-75, this weapon appears to be a double-action version of the Belgian

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### Appendix E

#### Romania

Unlike most other East European nations—where one or, at most, two foreign trade enterprises are responsible for foreign arms sales—we believe that several Romanian entities are actively involved in the international gray arms market, probably in response to the Romanian Government's reported desire for all foreign trade organizations to become self-supporting. Little information is available, however, on either the organizations themselves or on their relationships to each other. [redacted]

(b)(3)

#### Romtehnica

One of the most active of the organizations involved in the arms trade is Romtehnica. [redacted]

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[redacted]

[redacted] (b)(1)  
[redacted] (b)(3)  
[redacted] although

some agreements are also negotiated through Romanian military attaches or through special visiting delegations [redacted]

(b)(3)

Although the bulk of its foreign arms sales appear to be made on a government-to-government basis, a

[redacted] Romtehnica offered modern ar(b)(1)  
and munitions for sale to private buyers. The prof-(b)(3)  
ferred ordnance reportedly included pistols, Kalashnikov assault rifles, RPG-7 antitank weapons and grenades, and SA-7 surface-to-air missiles and launchers—man-portable weapons that are the stock and trade of gray-market arms dealers. [redacted] (b)(3)

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**National Aeronautical Center**

[redacted] the National Aeronautical Center (CNA) entered the international arms market in response to a Romanian Government decree in June 1981 that within three months each enterprise should be self-supporting [redacted]

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(b)(3)

[redacted] CNA officials met the following month in Bucharest with several West European arms brokers to explore the possibilities of CNA dealing in international arms sales. During this and subsequent meetings throughout the summer of 1981, CNA officials negotiated with several well-known European arms brokers for the purchase and sale of a wide range of military ordnance including M-16 rifles, US TOW and Soviet SA-7 missiles, US M-60 and Soviet T-62 and T-72 tanks, and Bell Cobra helicopter gunships.

(b)(3)

During these negotiations, CNA's role appeared to be that of an arms broker acting as a middleman for the sale of Bloc ordnance to the West, and for Western—particularly US—weapon systems intended for sale to Middle Eastern clients. Although it is unlikely that any of the parties involved had access to the more sophisticated weapons discussed, it is not unusual for gray-market arms brokers to offer large quantities of advanced, hard-to-obtain military equipment as an entree to a potential client in the hopes of securing a

(b)(3) contract to provide other, less exotic ordnance [redacted]

**Fata**

(b)(1) This firm may serve as a front for CNA activities abroad. [redacted] Constantin  
(b)(3) Luminos—identified as the director of the Fata enterprise—was scheduled to travel to Iraq as part of a Romanian military delegation in August 1982 [redacted]

(b)(1)

(b)(3)

**DCD**

Another Romanian firm involved in international arms sales, DCD is headquartered in Bucharest [redacted]

(b)(1)

(b)(3)

[redacted] Although available information does not permit a more accurate assessment, DCD may serve as the CNA representative to Iran, while Fata is used in CNA arms deals with Iraq. The use of such front organizations would allow CNA to capitalize on the current Iran-Iraq war without the onus of being seen arming both belligerents. For example, [redacted] DCD informed the Iranian Ministry of National Defense for Logistics in late 1982 that it had been offered 200 new engines with gearboxes for the M-60 tank and inquired whether Iran were interested in purchasing these engines. [redacted]

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**Appendix F**

**East Germany**

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[Redacted]

[Redacted] Soviet policy has ensured that the East German armaments industry is one of the smallest in the Bloc. As a result, we believe that East German involvement on the gray arms market is probably limited to selling the few types of small arms that it produces and brokering the sale of larger weapons produced in other East European countries and the Soviet Union. [Redacted]

[Redacted]

(b)(3)

**ITA**

Although detailed information is unavailable, we believe that the Engineering-Technical Foreign Trade Corporation—Ingenieur Technischer Aussenhandel (ITA)—may be responsible for most East German arms sales.

[Redacted]

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(b)(3)

More recently, Defense Department reporting indicates that in 1983 the IMES Import-Export Corporation in East Berlin purchased at least 4,000 7.65-mm pistols from the Spanish gun manufacturer Astra. The acquisition of these weapons—which are incompatible with East German arms and twice as expensive as similar 7.65-mm Czechoslovak pistols—strongly suggests that they were intended for resale to a foreign client. [Redacted]

(b)(3)

**Other Dealers**

In addition to ITA—which appears to represent East Germany in its official arms dealings with other recognized governments—one or more smaller East German firms or individuals may also be involved in the international gray arms market, probably as brokers rather than manufacturers of military equipment. One such company, “Firma Petrov Handelskontor” in East Berlin, appears to be colocated with the East German international transport firm Deutrans and may be involved in the covert supply and transportation of weapons. According to State Department reporting, in 1980 it was involved in the transshipment of 500 Uzi submachineguns. [Redacted]

(b)(3)

At least one East German firm, Exportkontor, is active on the commercial arms market, where it seeks to capitalize on the German reputation for manufacturing high-quality hunting weapons. In 1983, for example, representatives of this firm exhibited a large variety of shotguns and hunting rifles at a major arms exhibition held in West Germany. Although its activities appear to be overt, we cannot rule out the possibility that Exportkontor, like Merkuria of Czechoslovakia, serves as a front for the covert supply of gray-market weapons. [Redacted]

(b)(3)

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[Redacted]

**Insurgent Use of East German Weapons**

Although we believe that East Germany’s role on the gray arms market is largely that of a broker rather than supplier, some East German small arms have been discovered in the hands of insurgent groups. An analysis of the factory markings on “Soviet AK-50” assault rifles captured by Philippine authorities from New People’s Army rebels in early 1982, for example, indicates that the weapons are, in reality, MPiKM assault rifles—the East German version of the Soviet AKM. [Redacted]

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