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Iran-Iraq: Buying Weapons for War



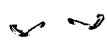
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An Intelligence Assessment

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GI 84-10082
May 1984

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Iran-Iraq: Buying Weapons for War

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An Intelligence Assessment

This paper was prepared by [Redacted]

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**Iran-Iraq:
Buying Weapons for War**

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Key Judgments*Information available
as of 15 April 1984
was used in this report.*

Iran and Iraq have both developed sufficient sources of arms since their war started in September 1980 to continue the conflict over the next year or two at current levels. In that time Iraq has agreed to purchase \$22 billion worth of arms while Iran has signed some \$4.6 billion in agreements. The large imbalance in arms purchases is primarily the result of Iraq's upgrading its armed forces with expensive weapon systems, but the initial decline of Iranian purchases because of Western embargoes also played a role. The ability of both countries to pursue the war at its current level depends more on their financial outlook than on suppliers' willingness or ability to deliver.

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Despite some problems early in the war, Tehran has been able to line up suppliers to provide ammunition and spare parts for its Soviet ground forces equipment and has been able to replace some of its US inventory with Soviet-style equipment:

- China and North Korea are now Iran's main suppliers of military equipment.
- Eastern Europe, Syria, and Libya are also important, but secondary, sources of this materiel.
- West European suppliers have recently become more forthcoming in supplying Iran with spare parts.
- Efforts to obtain spare parts and ammunition for US equipment have met with limited success.

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Iraq has been able to meet its war requirements through both traditional and new suppliers:

- After a short-lived embargo at the beginning of the war, Moscow has re-emerged as Iraq's main supplier.
- East European arms sales filled an important need early in the war.
- China is supplying arms which complement Soviet equipment.
- West European suppliers, led by France, are a source of modern equipment.
- Third World arms suppliers—particularly Brazil, Egypt, and South Korea—are cashing in on Iraqi needs by providing a variety of materiel.

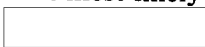
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If the war continues at present levels, procurement patterns will be determined largely by the ability of the belligerents to pay. Collectively, the suppliers who have entered the market are willing and able to provide whatever the two belligerents can pay for. Iraq will continue to purchase from China, the USSR, and France, while Iran will continue to depend on North Korea and China. Iran's purchases through the gray arms market will most likely diminish as West European countries increase their sales.



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A significant upsurge in the fighting could change the arms supply picture. Iraqi disruption of Iranian oil production facilities would sharply curtail revenues. Tehran's foreign exchange reserves would be drawn down quickly, and its attractiveness as an arms-for-cash purchaser would decrease accordingly. On the other hand, sharply increased fighting probably would benefit Iraqi arms procurement. Baghdad's oil-rich Arab allies would increase financial support to assure Iraqi defenses, and, we believe, the USSR and France would provide necessary war materials on concessionary terms.



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**Iran-Iraq:
Buying Weapons for War**



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Introduction

Despite initial problems, both Iran and Iraq have developed viable arms procurement networks. Their demand for weapons has resulted in new opportunities for a number of arms suppliers, several of which have sold arms to one or both countries. North Korea and, more recently, China have emerged as Iran's main suppliers of Soviet-style ground forces equipment. China, the USSR, and France continue as Iraq's major suppliers, while a number of other countries have sold arms to one or both sides to earn hard currency.

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This assessment reviews the evolution of, and prospects for, Iranian and Iraqi arms procurements. It discusses the degree of success both belligerents have had in obtaining arms and suggests some problems they may have in the future. Particular attention is paid to the motivation of individual suppliers as they have reacted to the escalation in the war.

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Iran: New Suppliers Emerge

In contrast to Iraq, which had a major military modernization program under way before the war, Iran had to rebuild its arms procurement apparatus completely after the start of the war in 1980. When he assumed the leadership, Ayatollah Khomeini slashed arms spending and suspended or canceled many of Tehran's military procurement and construction agreements with the United States, France, and the United Kingdom. The seizure of the US hostages in November 1979 resulted in an embargo on most of the remaining arms on order from the major Western suppliers. These actions not only halted shipments of contracted Western armaments but also substantially reduced shipments of Western spare parts and ammunition. As a result, Iran was forced to turn to a variety of nontraditional sources—including Eastern Europe, China, North Korea, Syria, and Libya—for spare parts, ammunition, and replacement equipment to maintain its Soviet armored personnel carriers, artillery, anti-aircraft guns, and anti-tank weapons. At the same time, Iran attempted to purchase ammunition and spare parts for its US equipment from smaller

West European and Third World countries. In addition, it turned to independent arms brokers for a variety of ancillary equipment and supplies such as spare parts, communications gear, support vehicles, quartermaster goods, ammunition, and small arms.

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By building a network of purchasing agents and independent arms brokers, Iran has been able to purchase some \$4.6 billion worth of arms over the course of the war (see figure 1). Almost \$3 billion worth of these arms have been received by Tehran. Most Iranian arms purchases are to support infantry operations and have included large quantities of ammunition, spare parts, and some support and ground forces equipment. Initial orders covered badly needed Soviet-style support equipment and munitions from other Soviet client states. Sales agreements reached a peak of more than \$1.8 billion in 1983 as West European and Chinese suppliers—driven largely by the desire to increase hard currency earnings and oil imports—demonstrated an increased willingness to provide Iran with materiel.

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North Korea has become the principal supplier of Soviet-model crew-served weapons, small arms, and munitions that Iran uses to conduct its infantry operations. We estimate that North Korea has sold almost \$1 billion worth of military equipment to Tehran since September 1980. In addition, P'yongyang has sent more than 50 military technicians to teach Iranians how to use and maintain the equipment.

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We believe North Korea probably initiated its sales to Iran with Soviet acquiescence. Attache reporting from South Korea suggests that some items—AT-3 anti-tank guided missiles and SA-7 anti-aircraft missiles—were of Soviet origin, and Moscow presumably approves the export of items that North Korea produces under Soviet license such as T-62 tanks and BM-11 rocket launchers.

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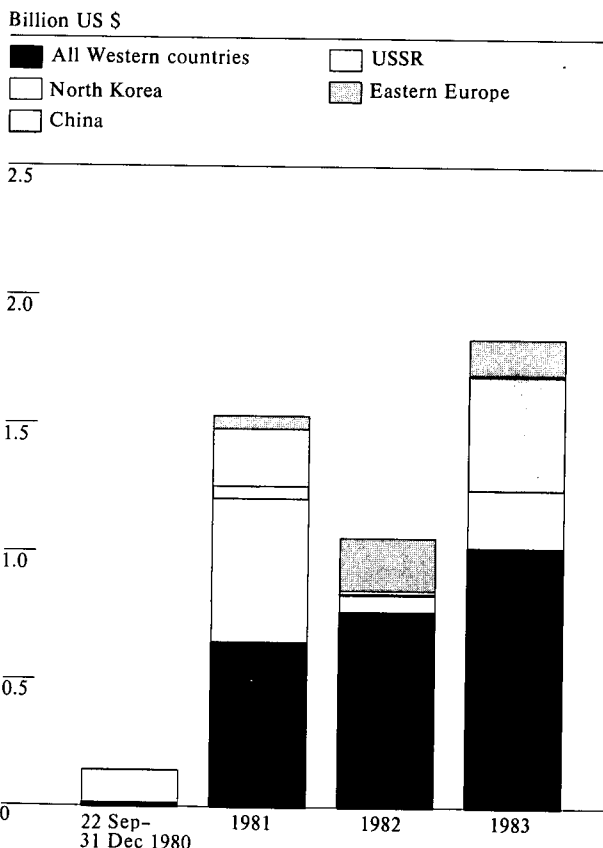
Iran's Arms Procurement Network

Since the beginning of the war with Iraq, Iran has developed an extensive arms-buying network. This system—which utilizes official, commercial, and private channels—extends to nearly every corner of the international arms market. Although often complicated and expensive, this network has enabled Iran to conclude numerous military contracts for materiel needed to prosecute the war:

- Iran's main arms procurement efforts are directed by the Ministry of Defense, which maintains several purchasing offices in Europe and the Far East. These offices seek out supplies, sign contracts, and make payments for arms purchased. The director of this network is Deputy Minister of Defense for Logistics, Col. Mehdi Azizi.
- Other official government channels—such as embassies and Iran's UN Mission in New York—have often complemented the purchasing offices. Although their use has decreased recently, diplomatic establishments still act as liaison channels in cases where foreign governments—such as Syria and Libya—serve as arms purchasing and transshipment agents for Tehran.
- Although most arms purchases for the Revolutionary Guards appear to be conducted through the procurement channels established by the Ministry of Defense, Revolutionary Guard offices have begun operating more independently. The Guard appears to be developing a parallel arms-buying network for its exclusive use.
- Besides these official channels, private Iranian import-export firms scour the international gray arms market for weapons, which they then resell to the Iranian Government. In addition, some Iranian cover organizations in Europe and the Far East also purchase arms for Tehran.

China has become Iran's second-largest supplier of Soviet-designed equipment, with sales of more than \$500 million since the war began. Initial sales were small, consisting of some ammunition and explosives.

**Figure 1
Arms Agreements With Iran,
22 September 1980-83**



[Redacted]

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They increased dramatically in 1983 when Beijing agreed to provide Iran with \$445 million worth of tanks, self-propelled artillery, radars, and motor vehicles, according to attache reporting. Much of this equipment is scheduled to arrive by this summer.

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(b)(3) Syria and Libya have been willing suppliers of arms to Iran. Together they have provided more than \$500 million worth of Soviet-style ground forces equipment to Iran. Tripoli provides arms at a discount on credit, while Damascus is using most of its sales to offset oil debts. Syria has supplied artillery, mortars, and small arms. Libya has transferred T-55 tanks, 130-mm artillery, and AT-3 antitank missiles to Iran from its inventory of Soviet equipment. [redacted]

- Belgium has provided artillery and ammunition.
- The United Kingdom sold tank engines, ammunition, and support equipment.
- Italy has sent spare parts and ammunition.
- Other suppliers have provided electronic equipment, spare parts, and ammunition. [redacted]

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(b)(3) Iran also turned to Eastern Europe, which was rapidly becoming a major supplier of Iraq, for some military supplies. East European countries agreed to several deals with Iran at Moscow's behest because of Soviet desires to maintain some political connection with Tehran, according to foreign attache reporting. East Germany has been the largest East European supplier with sales of more than \$215 million, including vehicles, spare parts, and ammunition. Bulgaria also agreed to deliver some \$84 million worth of ammunition, and Czechoslovakia, Poland, and Romania have signed smaller contracts for ammunition and spare parts [redacted]

In addition to purchasing military equipment from major European arms manufacturers, Tehran has also sought to acquire Western materiel on the international gray arms market. Not all of Iran's dealings with independent arms brokers have been successful, however. Many of these brokers are disreputable, operate under the cover of several front firms, and often cannot deliver what they promise. They usually offer unrealistically high quantities of virtually unobtainable equipment, often hoping to abscond with large downpayments or substitute less sophisticated ordnance at a later date. Although we do not know how much money Iran has lost as a result of these gray market arms deals, we believe that the amount was at least several hundred million dollars through the end of 1982. As a result, Iran's procurement officers have become more discriminating when dealing with gray market brokers. [redacted]

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To circumvent the US embargo, Iran established an elaborate network of purchasing agents and brokers to procure the materiel needed to maintain its large inventory of US equipment. Iran has had only limited success, because of US efforts to stem the flow, in obtaining sufficient equipment to keep its inventory of US weapons operational. To date, Iran has been able to obtain:

- US aircraft spare parts from *Israel*.
- Spare parts for CH-47 helicopters from *Italy*.
- Communications equipment and ammunition from *South Korea*.
- Communications equipment and ammunition from *Spain*.
- Ammunition from *Portugal*. [redacted]

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Iraq: Relying on Traditional Suppliers

Iraq has been more successful than Iran in securing military supplies. Baghdad has received a steady stream of materiel to wage war and has been able to continue to modernize its armed forces by introducing new, more advanced equipment into its inventory. Initially embargoed by the Soviet Union—its major supplier—Iraq turned to Eastern Europe and China for ammunition, weapons, and spare parts to support its Soviet inventory, and to Western Europe—particularly France—for new equipment. After six months the USSR resumed arms shipments to Baghdad, presumably because it decided its embargo was not buying additional political influence in Iran. [redacted]

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Iran's procurement network also has been able to purchase some indigenously designed and manufactured equipment from West European manufacturers. For example:

- *Switzerland* has concluded two large contracts for 50 trainer aircraft and 92 Skyguard air defense guns.
- *Greece* sold recoilless rifles, small arms, and ammunition.

Over the course of the war, total Iraqi arms purchases have reached \$22 billion—five times the Iranian orders—because Baghdad has sought to expand and modernize its armed forces (see figure 2). Deliveries

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Gray Market Arms Acquisition

Iran acquires large quantities of small arms, artillery ammunition, and replacement parts—some of which are either manufactured in the United States or produced under US license—on the European gray arms market. Because of the paucity of detailed information on such contracts, the data in this paper reflect only some of these deals. We believe, however, that gray market sales amount to no more than a few percentage points of government-to-government sales.

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Iranian procurement of such materiel is facilitated by large established arms manufacturers who are willing to serve as middlemen in the flow of military goods to Iran.

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since the start of hostilities with Iraq, Tehran has received hundreds of offers from West European entrepreneurs seeking to broker arms sales between Iran and suppliers in the Far East, the United States, Western Europe, and the Soviet Bloc. We do not know how many of these offers ever result in an actual delivery. Indeed, we believe many of them are fraudulent, involving little-

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known arms dealers seeking to sell unrealistically large quantities of sophisticated weapon systems at exorbitant prices.

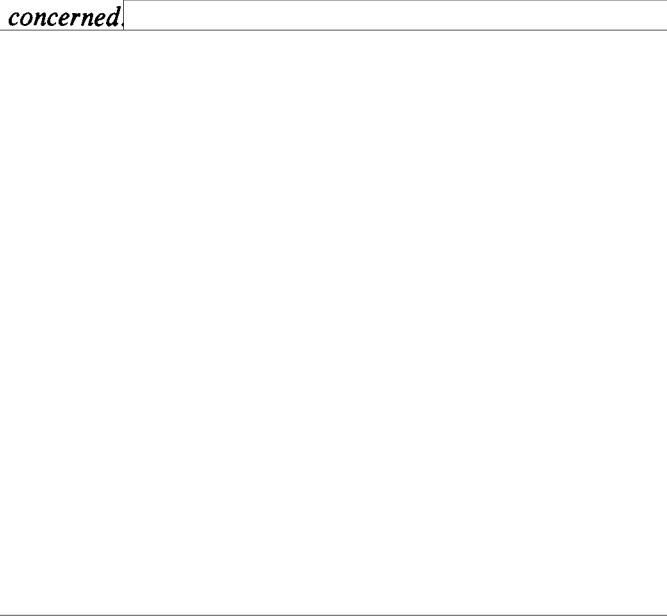
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European "brokers" have sought large advance payments for a wide range of equipment they are unlikely to have, including: Bell Cobra helicopter gunships, TOW-II antitank missiles, Leopard II tanks, and F-15 fighter aircraft. Tehran is now exercising greater caution where gray arms are concerned.

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since September 1980 of more than \$13 billion include at least \$3 billion worth of weapons ordered before the conflict began. Communist countries are Iraq's largest and most important suppliers, providing more than \$10 billion in equipment. West Europeans—led by France—are the next largest group of suppliers, providing some \$9.8 billion. Third World suppliers—spearheaded by Egypt, Brazil, and South Korea—have also cashed in on the war, signing agreements with Iraq for nearly \$1.5 billion of Western arms. Sales agreements in 1983 have dropped, possibly because of financial constraints.

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China committed itself early to resupplying Iraq. Over the course of the war, Iraqi-Chinese contracts totaled about \$3.8 billion—more than any other Communist country. Some 90 percent of these were concluded in 1981 and 1982. Beijing has used Arab intermediaries as brokers to sell:

- Seventy F-7 jet fighters (equivalent to the Soviet MIG-21).
- As many as 2,000 Type 69 tanks (based on the Soviet T-54 model).

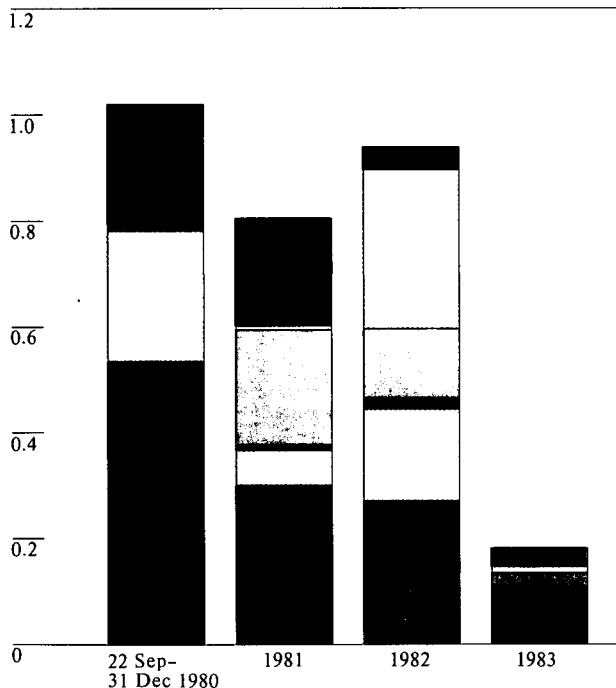
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Figure 2
Arms Agreements With Iraq,
22 September 1980-83

Billion US \$

- Other Western countries
- China
- France
- USSR
- Italy
- Eastern Europe



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- Several thousand field artillery pieces, mortars, and air defense guns.
 - Large quantities of ammunition.
- We have limited intelligence on the delivery of Chinese weapons to Iraq, but can confirm the arrival of 10 F-7s, and more than 300 tanks and 3,000 crew-served guns. (b)(3)

East European countries, led by Hungary, Romania, Poland, and Yugoslavia, immediately benefited from the Soviet embargo. Since the beginning of the war, these countries—apparently with Moscow's compliance—have sold Iraq more than \$3.2 billion worth of

military hardware, twice as much as in the preceding six years. Iraq placed more than \$1 billion worth of orders with East European suppliers from late September 1980 through March 1981, mainly for tanks, air defense weapons, artillery, and antitank missiles. Most of this hardware was delivered soon after it was purchased. East European suppliers maintained a brisk sales pace even after the resumption of Soviet deliveries in March 1981, with another \$1.4 billion in sales during the remainder of the year. East European sales, however, declined in 1982 and 1983. (b)(3)

The *USSR*, convinced by March 1981 that its embargo on Iraq had become counterproductive, resumed arms deliveries worth more than \$1 billion under prewar contracts. These shipments included:

- MIG-23s and Iraq's first MIG-25 jet fighter aircraft.
- Sixty-four T-62 and 156 T-72 tanks.
- Some 80 radars of various types.
- Spare parts and ammunition. (b)(3)

The Soviet arms supply commitment to Iraq gained momentum in late 1982. New accords totaling \$3 billion were signed to replace ground force equipment, fighter aircraft, and air defense equipment lost in combat. By the end of 1983 arms shipments included:

- About 135 jet fighters, including additional MIG-23s and MIG-25s.
- More than 400 tanks, of which 300 were T-72s, and 375 armored vehicles.
- About 200 artillery pieces, air defense guns, and multiple rocket launchers. (b)(3)

Iraq's search for arms also widened opportunities for West European and Third World suppliers. *France*, already a major supplier to Iraq, successfully capitalized on Baghdad's requirements, selling almost \$5 billion worth of military equipment through the end of 1983. Half of these sales occurred in the last quarter of 1980. The equipment, about 60 percent of which has been delivered, included:

- Twenty Mirage F-1 jet fighters and five advanced Super Etendard attack bombers.
- Two-hundred Roland surface-to-air missile systems.
- Eighty-five 155-mm self-propelled guns.
- At least 100 Exocet air-to-surface missiles. (b)(3)

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Other West European suppliers also were able to expand arms sales to Iraq. The \$2.5 billion in *Italian* sales purchased 11 ships, some ground forces equipment, helicopters, and naval mines.¹ Other West

European countries—including most major arms producers—sold another \$2.5 billion worth of materiel to Baghdad, primarily support equipment. 

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¹ Negotiations for the ships—four frigates, six missile patrol boats, and a support ship—were started in 1978 but not concluded until late 1980. The ships are not expected to arrive in Iraq until at least 1985 because of lengthy construction schedules and checkout periods. 

The war provided a unique opportunity for Third World countries to expand arms sales to Iraq. *Egypt's* willingness to provide Soviet and indigenously made weapons and other materiel—in part based on a desire

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to reestablish relations with other Arab countries— led to sales worth at least \$500 million. Key equipment included 200 T-55 tanks, FROG rockets, SA-7 missiles, and possibly MIG-21 and SU-7 jet fighters. Egypt also has provided training for Iraqi military personnel and has repaired damaged Iraqi equipment. Among other Third World suppliers:

- *Brazil* signed \$870 million in new accords for armored vehicles and development of rocket launchers. We have no evidence of any rocket launcher deliveries to date, and the program is far behind the original schedule,



- *South Korea* sold Iraq \$425 million worth of ammunition, jeeps, and quartermaster supplies; about half has been delivered.

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Supply Patterns Ahead

Both Communist and Western suppliers reacted to the Iran-Iraq war for a variety of economic and political reasons. Western suppliers initially embargoed Iran for political reasons. Over the past year, however, these suppliers have attempted to increase their sales in a soft world market and have increasingly turned to Iran for sales, ignoring US demarches.

Among the Communist suppliers, the USSR is backing Iraq, long a key client, but is apparently also supporting East European and North Korean sales of Soviet-style equipment to both combatants. China has also sold to both sides, implementing its new policy of selling arms for hard currency. 

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Western Suppliers. Western arms suppliers have re-evaluated their relations with Iran and Iraq over the past six to nine months. The apparent durability of the Khomeini regime has prompted some Western and Third World countries to consider establishing normal diplomatic and economic relations with Iran. The desire of Western arms suppliers to preserve ties with Baghdad's conservative Arab allies will probably lead to continued arms sales. [redacted]

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We believe *France* is likely to remain a firm supporter of Iraq because of its overall military and economic ties to Baghdad and the Arabian Peninsula kingdoms. Iraq owes France more than \$4 billion and Paris hopes that its continued support for Iraq will lead to repayment through concessionary oil deliveries and to further Arab purchases of French military and economic goods. Saudi Arabia's recent \$4 billion purchase of French air defense weapon systems has been cited in European press reports as an example of the preference being given to France because of its support for Iraq. [redacted]

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We believe France's willingness last fall to sell five Super Etendard naval strike aircraft from its own inventory demonstrated the lengths to which it was willing to go to meet Iraqi requests. The French reaction to Iraqi use of chemical weapons also illustrates their commitment to the Saddam regime. According to Embassy reporting, France made a demarche to Iraq on the issue, but also led efforts in the UN Committee on Disarmament to block an investigation of the incidents. [redacted]

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Most other Western suppliers, while continuing sales to Iraq, have also increased their military sales to Iran over the past six to nine months. The *United Kingdom*, for example, has shown a greater willingness to supply military-related equipment to Iran. According to Embassy reports, London has characterized its release of ocean tugs and an oil replenishment tanker for the Iranian Navy in early 1984 as consistent with its policy of selling "nonlethal" items to both Iran and Iraq. [redacted]

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[redacted] despite considerable opposition from both the United States and the Foreign and Commonwealth Office, British firms have begun to sell spare

engines for Chieftan tanks to Iran. We believe Britain, however, will probably not jeopardize relations with other countries in the Gulf—particularly Oman and Saudi Arabia—by selling major weapon systems to Iran at this time. [redacted]

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Italy, which until recently turned aside most Iranian arms orders, appears to be yielding to Iranian pressure. State Department reporting suggests that this may be prompted by Italian concerns for existing commercial interests in Iran and for the fate of the 3,000 Italian citizens there. Since last fall Italian firms have signed four arms deals for at least \$195 million. Italian armaments firms continue to negotiate with Tehran. [redacted]

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Other Western suppliers continue to see the war as an opportunity to expand foreign sales in order to use their underutilized production capacity:

- *Brazil*, having sold large amounts of arms to Iraq over the past three years, is now exploring sales to Iran. [redacted]
- *Argentina*, unsuccessful in its attempt to sell TAM tanks to Iran, may be considering the sale of two Type 42 destroyers to Tehran for \$500 million, according to Embassy reports. [redacted]

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Recent US demarches to US allies on curbing transfers of US-licensed equipment will probably reduce unauthorized sales. In response to US pressure, several countries—Israel, Italy, South Korea, and Spain—have already cut back sales to Iran of US weapons produced under US license:

- Available evidence indicates that the last Israeli transfer of US-licensed equipment occurred in January 1983. US demarches since then appear to have been effective.

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- According to Embassy reporting, Italy has refrained from completing the sale of CH-47 helicopters to Iran. To protect Italian expatriate workers and economic interests in Iran, however, Rome is keeping the door open for eventual delivery of the helicopters.
- South Korean transfers of embargoed US-licensed equipment have decreased since Seoul's reluctant decision in October 1983 to restrict arms sales to Iran. That decision came after more than \$100 million worth of licensed munitions had been sold to Tehran. According to an attache report, small deliveries of materiel previously contracted for have continued, but Seoul recently refused to issue an export permit for the sale of 100,000 rounds of 155-mm ammunition to Iran.
- Spain has discontinued sales of US-licensed artillery ammunition to Iran, but continues to sell 106-mm recoilless rifles. Madrid disagrees with Washington over the interpretation of sales restrictions, arguing that they apply only to the production technology and not to the rifles themselves [redacted]

sell materiel to Iran. Eastern Europe, the PRC, and North Korea are all taking advantage of the war by selling what they can to either country to earn hard currency and increase oil imports. [redacted]

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Since the start of the war, the USSR and Iraq have signed arms agreements valued at more than \$3 billion, most of them concluded in 1982. Equipment delivered under these agreements includes spare parts and ammunition to allow Baghdad to continue the war as well as advanced Soviet weaponry for the modernization of Iraqi forces. A measure of Moscow's long-term commitment to Iraq is its willingness to refinance Baghdad's current military debt. [redacted]

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[redacted] Moscow is still unwilling, however, to comply with Iraqi demands for a deep strike capability—specifically the SU-24 long-range strike aircraft and SS-12 and SS-21 surface-to-surface missiles [redacted]

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The SU-24 and the SS-12, a long-range missile, have not been delivered to any Soviet client, and SS-21s, short-range missiles, have only recently been delivered to Syria. We believe Moscow recognizes the disturbing strategic implications of such a sale in the region, particularly for Iran and Israel, and will probably delay making a decision as long as possible. [redacted]

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We believe that, over time, the effect of past and future demarches will diminish. Excess production capacity and a generally soft international arms market will make sales to any customer, including Iran, attractive. Portugal, another recipient of US demarches, would like to expand sales to Iran in order to develop its embryonic arms industry. Lisbon is apparently willing to allow Portugese firms to transship foreign-made weapons to Iran provided that Tehran purchase an equivalent amount of Portugese-made equipment. In our judgment, however, the effect of these transfers on Iran's war effort will be minimal, especially as Tehran begins to rely more on Soviet-style weapons obtained from China and North Korea. [redacted]

The other Communist suppliers, Eastern Europe and China, appear willing to continue arms sales to both belligerents as long as they can afford to pay. Eastern Europe will continue to supplement Soviet sales to Iraq and also provide Iran with the materiel needed to continue to operate their Soviet ground forces equipment. While Chinese sales to Iraq have decreased in the past year, probably due to the availability of increased Soviet and East European supplies, Beijing's sales to Iran have increased. Selling to both combatants reflects Beijing's new policy of supplying any client who can pay in hard currency. Indeed, future Chinese sales to Iran may show a further increase. [redacted]

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Communist Suppliers. Among Communist suppliers, the Warsaw Pact countries are selling primarily to Iraq; North Korea is a major supplier to Iran; and China has recently sold to both sides. The USSR has sided with Iraq—long a traditional client—but has attempted to keep its options open with Iran by supplying small amounts of spare parts and munitions and by allowing Eastern Europe and North Korea to

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North Korea has become one of Iran's principal suppliers, receiving oil and as much as one-third of its total 1983 hard currency earnings in payment. P'yongyang has sold Soviet-style arms manufactured in Korea as well as Soviet ground forces materiel phased out of its inventory. This relationship will continue as long as Tehran can pay and as long as Moscow perceives that such sales offer political advantages. P'yongyang has sought to take advantage of its strengthened ties with Iran to bolster political relations with other radical Middle Eastern states, but we believe any gains achieved on this front are probably outweighed by the breach in diplomatic relations with Baghdad. [redacted]

Outlook

In the absence of a war-induced disruption of oil supplies from the Gulf, we do not see financial constraints leading to a reduction in current levels of arms imports over the next 12 to 18 months. Iran will have sufficient oil revenues to continue arms imports to pursue the war at its current level. Iraq is in a tightening economic vise but will manage to obtain the required arms with the help of its major suppliers and Arab allies:

- Iran's financial position has improved during the course of the war. The value of Iranian oil exports has risen from about \$11 billion in 1981 to \$19 billion in 1983. Tehran is bartering some of its oil exports directly for arms.
- Iraq's financial status has deteriorated somewhat. The huge costs of the war—\$600-700 million a month—and the 75-percent drop in oil revenues because of the closing of its Gulf terminals and the Syrian pipeline, have crimped Baghdad's financial options. Still, the USSR and France have been willing to reschedule arms debts, and Iraq's wealthy OPEC backers will undoubtedly continue to finance a large portion of its military purchases. [redacted]

Future procurement patterns will depend largely on the course of the war and the ability of each combatant to pay for arms imports. If the current ground war of attrition continues at near current levels and oil supplies from the Gulf are not disrupted, both Iran and Iraq should be able to obtain sufficient levels of materiel to pursue the war. Supplier constraints will

not hinder the flow of arms. A number of major and secondary arms producers as well as independent brokers have entered the market and are willing and able to sell a variety of materiel as long as each country can pay:

- Iraq will continue to depend on the USSR and its allies and China for the bulk of its equipment. West European suppliers—especially France—will continue to play an important, but secondary, role.
- Iran will continue to rely on North Korea and China to provide spare parts and munitions for its Soviet ground forces equipment. As West European governments allow their arms manufacturers to deal directly with Iran, Tehran's involvement in the gray arms market may diminish. [redacted]

If the war escalates, procurement patterns could change significantly:

- If the flow of Iranian oil is disrupted—for whatever reason—Tehran's ability to acquire arms would be quickly reduced. It is unlikely in this event that arms suppliers would be willing to extend credit. Current Iranian foreign assets of about \$11 billion would last only about six months at the 1983 rate of outlay.
- Relative to Iran, Iraq stands to gain on the arms procurement front from an escalating war scenario. Iraq would probably continue to receive aid from other Arab states. Also, we believe Moscow would continue to reschedule Iraq's war debts, and France, heavily dependent on Iraqi oil, has offered similar concessions. In addition, even though Iraqi oil exports are currently limited by the closure of its Gulf terminals and the Syrian pipeline, the expanded pipeline via Turkey is scheduled for completion by late summer. This pipeline will allow Baghdad to increase oil exports by 100,000 b/d and add as much as \$1 billion annually (at current oil prices) to its hard currency earnings. [redacted]

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Appendix A
Arms Sales and Deliveries
to Iran and Iraq

Table A-1*Million US \$*

Arms Sales to Iran and Iraq,
22 September 1980-1983

Suppliers	Iran					Iraq				
	Total	22 Sep- 31 Dec 1980	1981	1982	1983	Total	22 Sep- 31 Dec 1980	1981	1982	1983
Total	4,576	146	1,535	1,059	1,835	21,999	5,725	7,242	7,474	1,558
Communist countries	2,126	131	888	291	816	10,229	388	4,320	4,770	751
USSR	239	...	224	11	4	3,195	11	68	3,003	113
Eastern Europe ^a	398	NEGL	51	207	140	3,212	377	2,048	431	356
China	502	...	50	7	445	3,822	...	2,204	1,336	282
North Korea	987	131	563	66	227	...	...	...	...	...
Western countries	2,450	15	647	768	1,020	11,770	5,337	2,922	2,704	807
Western Europe	1,414	6	400	247	761	9,759	5,279	1,927	2,253	300
Austria	7	5	2	...	...	242	210	...	...	32
Belgium	136	...	...	3	133	243	...	14	228	1
France	3	...	2	1	...	4,854	2,461	650	1,722	21
Greece	219	...	119	100	NA	...	...	...	...	...
Italy	210	...	15	...	195	2,534	2,016	90	195	233
Portugal	70	...	69	...	1	99	...	45	54	...
Spain	94	...	2	...	92	93	93	NA	NA	...
Sweden	123	...	...	...	123	180	146	...	31	3
Switzerland	295	NEGL	50	128	117	19	...	19	...	...
United Kingdom	189	1	138	...	50	268	170	81	17	...
West Germany	50	NEGL	NA	...	50	735	13	706	6	10
Others	18	...	3	15	...	492	170	322	...	...
Arab and non-Arab Islamic	573	9	85	364	115	569	2	236	196	135
Egypt	...	...	...	...	...	489	...	193	196	100
Libya	376	2	70	244	60	...	...	...	...	...
Syria	152	7	...	120	25	35	...	...	...	35
Others	45	...	15	...	30	45	2	43	...	...
Others	463	NEGL	162	157	144	1,442	56	759	255	372
Brazil	18	...	...	...	18	868	8	522	38	300
Israel	74	NEGL	50	...	24	...	...	...	...	...
South Korea	275	NEGL	72	137	66	423	...	152	199	72
Others	96	...	40	20	36	151	48	85	18	...

^a Yugoslavia is included in the Eastern Europe total, although it is not a member of the Warsaw Pact.

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Table A-2
Arms Deliveries to Iran and Iraq,
1 July 1980-1983

Million US \$

Suppliers	Iran					Iraq				
	Total	1 Jul- 31 Dec ^a 1980	1981	1982	1983	Total	1 Jul- 31 Dec ^a 1980	1981	1982	1983
Total	2,860	183	861	1,302	514	13,246	894	3,598	4,623	4,131
Communist countries	1,395	152	428	571	244	7,444	316	2,197	3,053	1,878
USSR	326	52	124	100	50	4,158	...	1,135	1,716	1,307
Eastern Europe ^b	79	1	4	60	14	2,610	316	794	1,119	381
China	130	...	NA	50	80	676	...	268	218	190
North Korea	860	99	300	361	100	...	...	...	...	...
Western countries	1,465	31	433	731	270	5,802	578	1,401	1,570	2,253
Western Europe	557	7	285	250	15	4,658	577	1,265	642	2,174
Austria	7	5	2	...	...	84	...	42	42	...
Belgium	NA	...	...	...	NA	52	...	...	15	37
France	20	...	19	1	...	3,486	430	927	233	1,896
Greece	119	...	...	119	...	...	...	...	...	...
Italy	135	NA	115	20	NEGL	371	46	16	137	172
Portugal	68	...	2	66	...	98	...	17	27	54
Spain	2	...	2	...	NA	142	14	34	79	15
Sweden	1	...	...	...	1	31	NEGL	...	31	...
Switzerland	50	1	13	36	NA	43	14	14	15	...
United Kingdom	139	1	131	7	...	232	66	118	48	...
West Germany	1	NEGL	1	...	...	93	7	74	12	...
Others	15	...	...	1	14	26	...	23	3	...
Arab and non-Arab Islamic	551	13	74	379	85	314	...	36	261	17
Egypt	...	...	...	...	...	271	...	8	246	17
Libya	376	2	55	259	60	...	...	...	...	...
Syria	152	7	...	120	25	...	...	...	...	...
Others	23	4	19	...	...	43	...	28	15	...
Others	357	11	74	102	170	830	1	100	667	62
Brazil	...	...	...	...	...	573	1	34	538	...
Israel	74	...	50	...	24	...	...	...	...	...
South Korea	233	...	4	93	136	200	...	19	120	61
Others	50	11	20	9	10	57	...	47	9	1

^a Because of data limitations, total includes some shipments in the months leading up to the war.

^b Yugoslavia is included in the Eastern Europe total, although it is not a member of the Warsaw Pact.

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Appendix B

Western Europe: Arms Sales
to Iraq and Iran

Table B-1
Western Europe: Arms Sales to Iraq,
22 September 1980-1983

Supplier	Value (million US \$)	Equipment Covered	Remarks
Austria	242	Construction of munitions plant, 100 to 200 155-mm howitzers.	Deliveries are partially complete.
Belgium	243	Construction of airfield, various munitions.	Deliveries are partially complete.
Denmark	176	Support ships.	
France	4,854	20 Mirage F-1 jet fighters, six Super Frelon helicopters, 200 Roland surface-to-surface missile systems, 24 AMX-10 armored vehicles, 35 155-mm self-propelled guns, Exocet and Matra missiles.	Super Frelon helicopters armed with the Exocet missiles have been used for attacks on ships near Khark Island. Some of the Roland systems have been delivered, after being taken from active French Army units.
Greece	NA	Jeeps.	Manufactured from French designs.
Italy	2,534	11 ships—four Lupo frigates, six CNR-600 guided missile combatants, and one support ship; 230 Fiat APCs, antitank and antipersonnel mines.	The ship contract was negotiated in the two years prior to the war, and deliveries are scheduled to begin in 1985.
Netherlands	110	Optical equipment, including night vision devices for ground force equipment.	Deliveries are partially complete.
Norway	16	Fire and rescue vehicles.	Deliveries are partially complete.
Portugal	99	54 105-mm artillery pieces, 81-mm mortars, ordnance.	Iraq is Portugal's largest arms customer (40 percent of total sales), but delivery problems jeopardize further deals.
Spain	93	Air Force housing facility, 106-mm recoilless rifles, ordnance, and fire control systems.	20 BO-105 helicopters, produced under a West German license, were delivered completing a contract signed in 1979.
Sweden	180	Volvo trucks, communications equipment.	Deliveries are partially complete.
Switzerland	19	5,000 RPG-7 rocket launchers, artillery fire control systems.	Over 30 Bravo and Pilatus trainer aircraft, ordered before the war, were delivered.
Turkey	137	120-mm mortars, ammunition, trucks, quartermaster supplies.	The mortars reportedly were manufactured in Belgium.
UK	268	12 tracked APCs, 105-mm artillery, radars, land-rover and tank recovery vehicles, bomb, electronic gear, spare parts for Chieftain tanks.	Hovercraft were delivered to complete a 1978 order.
West Germany	735	Electronic countermeasure systems (ECM), 1,500 truck and turnkey service and spare parts depot, 300 tank recovery and construction vehicles.	The \$600 million ECM contract calls for complete modernization of Iraq's ECM capability.



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Table B-2
Western Europe: Arms Sales to Iran,
22 September 1980-1983

Supplier	Value (million US \$)	Equipment Covered	Remarks
Austria	7	Communications equipment.	Deliveries completed.
Belgium	136	Artillery shells and other ammunition.	Deliveries are partially complete.
France	3	60 106-mm recoilless rifles.	Deliveries completed.
Greece	219	135 106-mm recoilless rifles, 90-mm/155-mm/175-mm shells, other unspecified military equipment.	Deliveries of recoilless rifles completed; other contracts under way.
Italy	210	Unspecified artillery shells and other ammunition, explosives, spare parts.	Most of the contracts signed since October 1983.
Netherlands	14	Four support boats.	Deliveries completed.
Norway	1	Explosives.	Deliveries completed.
Portugal	70	100 106-mm recoilless rifles, 170 81-mm mortars, ammunition.	Deliveries completed.
Spain	94	200 106-mm recoilless rifles, ammunition.	Deliveries probably completed.
Sweden	123	40 13-meter fast patrol boats.	At least 11 of the boats ordered in 1983 arrived by early 1984.
Switzerland	295	50 Pilatus trainer aircraft, Oerlikon antiaircraft guns, 16 Super Fledermaus radar sets.	Some of the trainers arrived in late 1983; delivery schedules announced for the antiaircraft guns.
United Kingdom	189	Westland helicopters, Chieftain tank engines, artillery shells.	All contracts except the \$50 million helicopter order have been completed.
West Germany	50	Communications equipment, small arms, ammunition.	Deliveries are partially complete.

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