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# International Issues Review



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October 1984

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# **International Issues Review**



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This publication is produced by the Office of Global Issues. Some issues contain articles drafted in other offices. Some articles are preliminary or speculative in nature, but the contents are formally coordinated as appropriate with other offices within CIA.



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**Arms Transfers: Significant Sales and Negotiations** [Redacted]

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Reviews key arms sales and negotiations that took place during the summer of 1984. [Redacted]

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## Narcotics

### Nigeria: Emerging Hub of African Drug Trade

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#### Summary

Nigeria is emerging as a major transit point on the heroin trail between Southwest Asia and the United States. Severe economic and social problems provide the incentives for Nigerians to serve as drug couriers. Expatriates from the Middle East and Southwest Asia living in Nigeria provide connections to sources of supply, and the large Nigerian communities in the United States provide the links to distribution networks. The military government of Nigeria is ill equipped to deal with the heroin traffic; its drug enforcement elements are untrained, poorly motivated, and often corrupt. We believe that Nigerian involvement in drug smuggling will grow over the next several years. Moreover, we expect the Nigerians to attempt to assert greater control over the heroin pipelines that run from Southwest Asia through Lagos to Europe and the United States.

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#### The US Connection

Nigeria has become a major transit point for Southwest Asian heroin bound for the United States. Illicit drugs formerly smuggled into European cities—because of Nigeria's historic ties with Great Britain—now are headed for New York, Boston, Philadelphia, and other American communities. The shift to the United States is apparently due to US drug prices significantly higher than those in Europe. For example, Drug Enforcement Administration (DEA) sources report that at least two major Nigerian smugglers who previously shipped heroin to the Netherlands shifted their operations to the United States after they found American prices more attractive. The relative strength of the US dollar also serves to draw heroin away from the closer European market.

This trend is supported by data on arrests over the past three years. Seven heroin-smuggling incidents involving Nigerians occurred in 1982, three of them in the United States and four overseas. The total amount of heroin seized in these incidents was only 3 kilograms (kg). In 1983 the United States arrested 21

Nigerian smugglers, other countries, 15; and the amount of heroin seized rose to 30 kg. If the rates reported during the first five months of 1984 are sustained, arrests this year will rise to more than 100, three-fourths in the United States; and heroin seizures will increase to almost 60 kg.

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#### A Fertile Environment for Drug Traffickers

The impetus for Nigeria's emergence as a link in the Southwest Asian heroin trail is most likely the deterioration in trafficking conditions elsewhere, coupled with worsening socioeconomic conditions at home. The Lebanese civil war, the Iranian revolution, and the Soviet occupation of Afghanistan have shut down some of the traditional trafficking routes, and Nigerians have stepped in to fill the gap. At the same time, the Nigerian economy has been increasingly unable to accommodate the rising expectations of its large and rapidly growing population.

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Nigeria possesses the infrastructure to develop into an effective, large-scale drug-smuggling center. Lagos is the air hub of West Africa and serves as a major transport link between South and Southwest Asia and heroin markets in Europe and the United States. A large mercantile class of Pakistanis, Syrians, Lebanese, and Indians provides the necessary connections back to heroin sources in Southwest Asia. At the other end of the heroin pipeline, smugglers are able to blend easily into the large, closely knit communities of Nigerians residing in European and east coast US cities. The US Immigration and Naturalization Service estimates that about 40,000 Nigerians reside legally in the United States, and, according to a recent FBI report, many of these residents are adept at defrauding US banks, insurance and credit companies, welfare agencies, and other institutions. The skills developed in white-collar crime have enabled the Nigerians to become proficient quickly at concealing illegal government involvement with drug trafficking.

Social and economic conditions within Nigeria also encourage drug smuggling:

- Domestic drug abuse, especially of marijuana and methaqualone, is spreading rapidly, according to DEA [redacted]
- Nigeria has only 90,000 police officers, not nearly enough to control routine forms of criminal activity in a society of 90 million.
- Financial mismanagement has wreaked havoc on the Nigerian economy. High unemployment, inflation, and weak currency have caused a sharp drop in living standards and fueled increases in narcotics trafficking and other illicit activities.

Furthermore, drug smuggling is abetted by traditional Nigerian attitudes toward corruption. Called dash in Nigeria, corruption is pervasive at all levels of government and society and is encouraged by the system of extended families in which a civil servant or military official is responsible for the economic support of large numbers of people. Thus, lucrative arrangements between government officials and smuggling operations are not uncommon. For example, two DEA sources report that a Nigerian Interpol official in

Lagos is taking payoffs from drug traffickers. And Nigerian diplomatic personnel have been implicated in drug smuggling; a diplomat at a Nigerian embassy was arrested in 1983 for smuggling heroin from Pakistan. [redacted]

**Routes, Methods, and Markets**

According to DEA [redacted] Nigerian heroin smugglers are supplied almost exclusively from Pakistan [redacted] the single dominant supplier was Ghulan Juma Khan of Peshawar. Khan is said to have a reputation for supplying high-quality heroin at \$6,000 to \$8,000 per kilogram. [redacted] Khan also has the connections necessary to arrange for Nigerian couriers to clear Pakistani customs at Karachi and Islamabad without inspection. Analysis of 1984 seizure data confirms that almost all of the Nigerian heroin couriers return from points in Pakistan to Lagos, although they occasionally pass through third countries. The heroin is broken down into smaller amounts in Lagos and then carried by air to New York, Boston, or other US cities. [redacted]

Nigerian traffickers generally prefer the body-cavity method of smuggling and frequently load several couriers on board a single flight. The couriers are often women accompanied by a male controller on the same flight. For example, an incident at JFK Airport on 26 May 1984 involved four female couriers on a Nigerian Airways flight, each carrying 5 ounces of heroin internally. They were accompanied by a single male courier whom they identified as their source of supply. The body-cavity method is a crude technique but is frequently replaced by more sophisticated methods as the trafficking network matures; the French/Corsican organizations used this method to transport heroin in the 1960s, as did the Colombians for cocaine in the 1970s, before both graduated to larger loads and more imaginative smuggling methods. [redacted]

Little is known about the distribution and marketing of the Nigerian heroin once it reaches the United States. DEA sources believe some of it enters the US

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market through connections with black American organizations.



Any move by the Nigerians toward greater control of the trafficking links between Southwest Asia and the United States would first require connections at the sources of supply as they attempt to cut out the expatriate middlemen who introduced them to the trade. This is a normal stage in the development of a smuggling system, and the Nigerians have almost certainly taken steps to gain tighter control over the links between Southwest Asia and Lagos. Similarly, the Nigerians would need to establish their own distribution networks in US cities. This step will evolve gradually as the Nigerians become increasingly accepted into the US criminal community. Characteristics common to Nigerians, such as kinship ties and facial scarring, will make their networks almost impossible for police to penetrate using traditional undercover techniques.

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Similarly, little is known about the financing of Nigerian heroin smuggling. A DEA case has implicated the African Continental Bank of Lagos in drug smuggling, and five Nigerian drug couriers have been arrested carrying checks drawn on a single account there. One of these couriers claimed that a senior staff member was the financier of the drug venture. It is also possible that the bank is being used as a source or conduit of drug financing without the knowledge of its officers.

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**Outlook**

The flow of heroin through Nigeria is likely to increase rapidly. The social and economic incentives to drug traffickers are strong, and the government, faced with resource constraints, has other more pressing priorities to address. Lagos does regard domestic marijuana abuse as a major concern but cares little about heroin transiting Nigeria. A stronger commitment by the new government to crack down on heroin smuggling is unlikely to have any effect. Police lack the motivation, training, and equipment necessary for successful drug interdiction, and there is no readily available cure for the corruption in their ranks.

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Any success the Nigerians achieve in developing trafficking networks will not go unrecognized in Africa. Other African societies afflicted by economic hardships, political instability, and administrative confusion are likely to note the Nigerians' success and seek to imitate them. There is already evidence that drug traffickers from Zaire, Ghana, and Togo have entered the European drug market, and there is no reason to expect other African drug smugglers not to look to the United States as a profitable destination for heroin and other illicit substances.

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The Nigerians are an enterprising people and have shown a willingness to move into criminal ventures if they cannot find legitimate ways to earn a living. There are no criminal activities that are as profitable as the trafficking and sale of illicit drugs. Thus Nigerian drug smugglers are not likely to remain content to serve as couriers for Southwest Asian organizations.

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## Worldwide Narcotics Highlights

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### Summary

The *International Issues Review* will present in each issue a summary of recent developments affecting narcotics production and trafficking in host countries and US attempts to halt illicit drug activities abroad. The items in this summary cover the period from 1 August to 30 September 1984.

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### South America

Meeting in Ecuador on 11 August 1984, the Presidents of **Venezuela, Ecuador, Bolivia, and Colombia**, joined by representatives of **Panama, Nicaragua, and Peru**, issued a declaration that calls for the establishment of an international fund to combat drug trafficking in Latin America and urges the United Nations to pass a resolution condemning drug trafficking as a crime against humanity. International reaction to the "Quito declaration" has been favorable, although several countries have expressed reservations about creating yet another international organization to deal with the drug issue when appropriate mechanisms such as the United Nations Fund for Drug Abuse Control and the South American Narcotics Accord already exist.

President Lusinchi of **Venezuela** used his 25 September address before the UN General Assembly to push his multilateral narcotics initiative. Lusinchi believes the Quito declaration offers several important advantages that existing regional mechanisms do not—especially stronger international supervision of government drug enforcement and drug-control efforts and a politically viable mechanism through which Venezuela could channel resources for regional drug-control programs. The United States and existing UN drug-control agencies oppose the Quito declaration for legal, administrative, and budgetary reasons, and the proposal will probably be buried in committees.

In September organized labor groups in **Colombia and Bolivia** for the first time issued statements critical of their governments' position on certain narcotics issues. In Colombia, according to the US Embassy in Bogota, the two largest democratic labor confederations, the UTC and the CTC, have gone on record opposing the extradition of Colombian nationals to the United States as required by the US-Colombian extradition treaty. In Bolivia, the recent congress of the country's largest labor confederation passed a resolution calling for the demilitarization of the Chapare coca-growing region, the free marketing of coca leaves, and the abrogation of the US-Bolivian accords on drug-control. The groups' actions, although probably influenced by protrafficking elements within the membership, reflect nationalistic sentiments and pose no immediate threat to their governments' current drug-control efforts. Drug traffickers, however, are likely to use the statements in carefully orchestrated campaigns designed to change government drug-control policies—especially those supported by the United States.

Drug-control officials from **Colombia** met with representatives from **Brazil, Ecuador, and Bolivia** in September to plan cooperative measures to control the

spread of illicit narcotics in the region. Colombian officials hope to reactivate regional and bilateral drug-control agreements as well as negotiate new accords designed to interdict regional trafficking activity and deny traffickers safehavens. Among the items to be discussed are the establishment of a regional police cooperation network; communications links and intelligence sharing; controls on air and surface transport; precursor chemicals, and questionable bank accounts; and more timely extradition and prosecution of traffickers. These measures, if effectively implemented, could greatly curtail the trafficking activity in major drug-producing countries. [redacted]

**Colombian** Justice Minister Enrique Parejo announced on 13 September that the government intends to submit to congress a bill to facilitate the expropriation of property and real estate of individuals guilty of drug law violations. This proposed legislation would strengthen the government's hand after the state of siege is lifted and narcotics offenses are returned to civil jurisdiction. [redacted]

**Colombia's** herbicidal eradication campaign was criticized by one of Colombia's leading journalists, Daniel Samper, in a 7 September column in *El Tiempo*, one of Bogota's leading newspapers. Samper is the first major media personality to attack the government's use of herbicides in eradicating marijuana. According to the Embassy in Bogota, his column and the effort of other herbicide opponents have provoked no significant reaction from the public, largely because preliminary tests found no adverse environmental impact from the use of glyphosate. Field observations indicate that the herbicide effectively kills marijuana without harming other plant life. Also, early test results indicate that 100 percent of the glyphosate residue on sprayed marijuana is broken down into nontoxic substances in the smoking process. [redacted]

**Colombia** continues to develop its antinarcotics capability. The herbicidal drug eradication program will be substantially strengthened with the addition of five Bell 206 L-3 helicopters to the National Police (NP) Air Wing later this year. Twelve Colombian National Police pilots have been selected for helicopter training in a move to lessen reliance on contract personnel. Hangar and maintenance facilities at Guaymaral

were completed in August, and construction was begun on forward base hangars and maintenance facilities at Santa Marta and San Jose. More important, the Air Wing has been granted autonomy from civil aviation authorities in conducting its operations. [redacted]

According to a US Embassy report of 25 September, the **Colombian** Government has eradicated over 1,300 hectares of immature cannabis plants since the start of the herbicidal spray campaign in July. In addition, units of the Colombian National Police and armed forces have seized over 2,000 metric tons of marijuana and 13 metric tons of cocaine, dismantled 68 cocaine labs, arrested over 2,000 suspects, and confiscated more than 1,100 weapons, 250 vehicles, and 16 boats. Thus far, most of the major traffickers have been able to elude authorities, and they will likely resume normal activities when the state of siege is lifted. [redacted]

**In Bolivia** the long-delayed deployment of government forces into the Chapare, the country's principal coca-growing region, on 10 August 1984, resulted in few arrests and minimal disruption of trafficking patterns. Several days of publicized government negotiations with dissenting campesino groups prior to the operation gave both traffickers and coca farmers ample time to flee the area. Conflicts between the military and police also impeded the enforcement action and may have contributed to the unexpected withdrawal of the police from the area. [redacted]

A government operation begun in **Ecuador** on 24 September has resulted in the eradication of 12 hectares of coca and the destruction of three cocaine labs. According to the DEA, the operation proceeded smoothly, and cooperation between National Police and Army units was better than expected. Authorities plan to eradicate another 30 hectares of coca in the next few weeks if additional funding is forthcoming. The operation may be an indication that the new administration is taking seriously its promise to US officials to make drug control a priority. [redacted]

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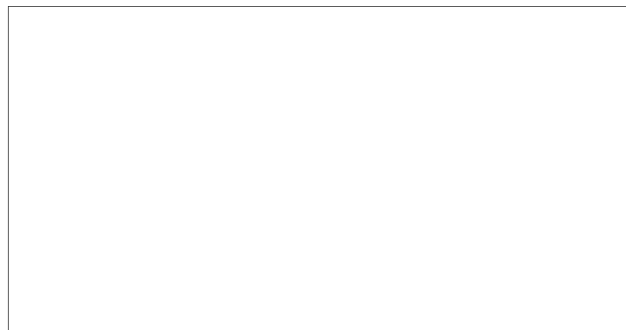
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The **Peruvian** Government's counterinsurgency operations against the Sendero Luminoso (SL) in the Upper Huallaga Emergency Subzone begun in August are hurting the region's drug trade, disrupting trafficking activity, and turning many of the coca growers and traffickers against the SL. Some traffickers have been forced to move into more remote areas to avoid military and police patrols. The police will probably be unable to keep traffickers on the defensive once the military units are withdrawn. [redacted]

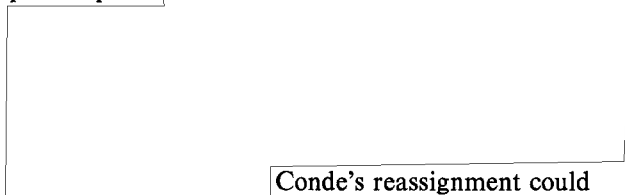


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**Mexico**

Miguel Conde Comacho—the director of eradication in a key northern poppy-growing region in **Mexico**—was reassigned permanently in early August to oversee antidrug operations in a less important zone. The transfer was a result of a crackdown by President de la Madrid against drug-related graft, according to press reports. [redacted]



[redacted] Conde's reassignment could set the stage for stricter drug-control efforts in northern Mexico, which accounts for about two-thirds of the country's annual opium production, and will help dispel any notion in the drug industry that the Mexican Government might tolerate further increases in output. [redacted]

The Jamaican Government, in cooperation with the United States, conducted an aerial photographic survey to determine the location and extent of marijuana cultivation on the island. Although technical problems with the camera limited the scope of the survey, information on some of the major growing areas was acquired and passed to the Jamaican Government for use in planning eradication operations. The agreement of the Jamaican Government to do the survey may indicate an increased willingness to eradicate; however, their main emphasis will probably continue to be against trafficking as the politically safest approach to disrupting illicit drug activities. [redacted]

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On 11 September, customs officials in Port-of-Spain, **Trinidad and Tobago**, arrested four Venezuelan nationals for cocaine smuggling. The men had embarked from Carupano, Venezuela, aboard an unregistered 3-ton vessel. Customs officials found the cocaine—6 pounds—hidden in the ship's hold. The cocaine was probably destined for distributors on the island. [redacted]

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**Caribbean**

Traffickers in **Jamaica** in recent months have resorted increasingly to use of commercial ships to smuggle drugs to the United States because of intensified interdiction operations by US authorities against small pleasure craft [redacted]

[redacted] We believe, however, that traffickers will resume using the more numerous and harder-to-catch pleasure craft as their principal means of drug smuggling by sea as soon as they conclude that enforcement efforts have eased or focused on commercial vessels. [redacted]



**Southeast Asia**



[redacted] Thailand's share of the US market historically has been very small, but Embassy officials in Bangkok believe that exports to the United States are increasing. Thailand is aiming almost all of its antinarcotic resources at opium cultivation and smuggling, a fact that will limit the effectiveness of its efforts against marijuana. [redacted]

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**China**

[redacted] **China** will become a party to the 1961 Single Convention on Narcotics Drugs and the 1972 Psychotropic Convention, the two major international treaties on narcotics and drug abuse. Narcotics have been treated by the government as a non-Chinese problem since opium abuse was eliminated in the 1950s. Beijing's signing of an international drug treaty is unprecedented and probably reflects heightened concern over the increasing use by traffickers of Chinese territory for drug smuggling and transshipment. [redacted]

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**Southwest Asia**

Pakistani authorities are planning their most systematic campaign yet against opium poppy cultivation in the North-West Frontier Province. In September, they reportedly warned growers that poppyfields planted in October and November would be destroyed. The early warnings were designed to give growers a chance to plant other crops and to avoid another bloody confrontation similar to the one that occurred last November when enforcement authorities surprised villagers in Malakand Agency. With opium prices apparently increasing and the benefits from rural development projects not yet materializing, growers are not likely to forgo production voluntarily, and the risk of more confrontations is high. [redacted]

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**Argentina: Continued Poor Sales  
Prospects for TAM Tank** [redacted]

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**Summary**

Argentina is stepping up its efforts to sell the Tanque Argentino Mediano (TAM) light tank for which it has not received any foreign orders since it entered production in 1979. Buenos Aires is trying to make the TAM more marketable by substituting West German components with locally produced items in order to circumvent Bonn's arms transfer restrictions. These efforts, however, will probably be unsuccessful given Argentine technical and funding limitations. [redacted] several countries have expressed interest in the TAM and sales are imminent or have been completed, we believe such claims are exaggerated and that no foreign orders have been obtained. Moreover, the high price of the TAM and the poor sales record of light tanks in general point to continued limited export prospects for the TAM. [redacted]

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**No Foreign Sales**

Argentina has produced the TAM light tank for domestic use since 1979 and continues to seek an export market for the tank. The TAM—developed by Thyssen-Henschel of West Germany for the Argentine Army—is based on the chassis of a Marder personnel carrier and carries a 105-mm gun. Argentina produces the turret and chassis for the TAM, but its sighting, electrical, and operational components are supplied by West Germany (table). [redacted]

**Equipment Supplied by West Germany  
for the TAM Light Tank**

Equipment	Manufacturer
Electrical wiring	AEG Telefunken
Tracks	Diehl
Engine	MTU
Transmission	Renk
Stabilization system	Steinheil Lear Siegler
Fire-control system	Zeiss

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Limited domestic requirements have forced Buenos Aires to seek Third World buyers for the TAM, but no orders have been received. The Argentine Army has a requirement for 200 tanks of which 130 have been produced. Argentina for the past five years has promoted sales to a number of countries to help keep production lines open and reduce unit costs. Among

early potential buyers were Chile, China, Ecuador, Iraq, Pakistan, Saudi Arabia, Syria, and Venezuela. Although some reviewed the TAM, none have placed orders for the vehicle. [redacted]

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The relatively high asking price for the TAM has contributed to its lack of foreign sales. The generally reported price for the TAM is approximately \$1.6 million per unit—significantly higher than quoted prices for comparable tanks. The French AMX-13, for example, is priced at approximately \$1.2 million. The lack of foreign sales and small domestic requirements keep TAM production low and drive up unit costs—making the TAM a noncompetitively priced light tank. Moreover, some purchasers probably believe that Argentina cannot be considered a reliable supplier of spare parts given the TAM's dependency upon West German equipment and Bonn's consequent ability to block sales of spare parts. [redacted]

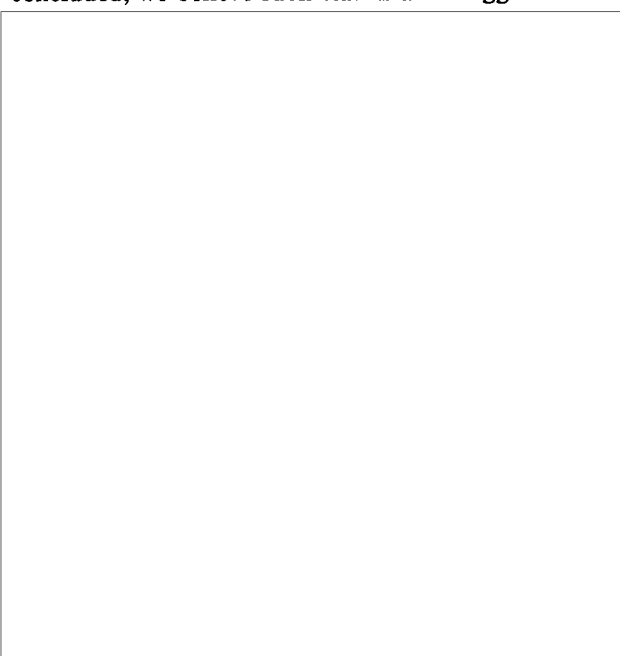
**Recent Marketing Efforts: Exaggerated Claims**

Declining production rates have prompted Argentina recently to intensify marketing of the TAM tank, but these efforts have been unsuccessful. [redacted]

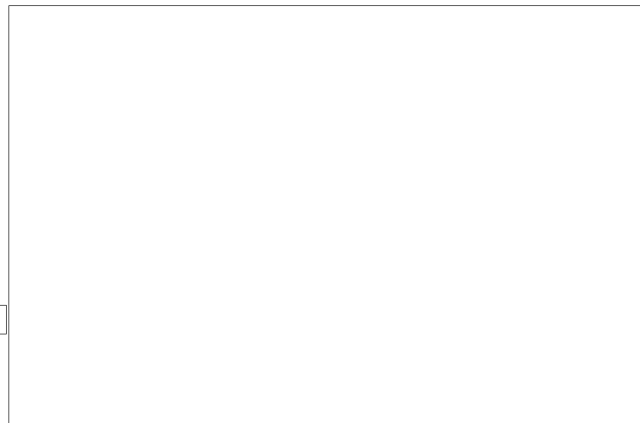
[redacted] production of the TAM for national military orders is nearing an end, with less than five units being turned out monthly. [redacted]

[redacted] production may actually be down to less than one unit per month as a result of government austerity measures. [redacted]

Although reporting from a variety of sources indicates that sales of the TAM are imminent or have been concluded, we believe such claims are exaggerated.



- *Malaysia.* The US attache in Kuala Lumpur reports that in June a sales agent made several presentations of the TAM to the Malaysian Army. Efforts to diversify arms suppliers and the desire for West German technology contribute to Malaysia's interest in the TAM. Malaysia's limited budget, however, will probably mitigate against the purchase of the expensive TAM.



[redacted] confirms that no sales of the TAM have been made. We believe that much of this unsubstantiated information originates with Argentine officials expressing overly optimistic views on sales prospects in an effort to refocus market interest on the TAM. In addition, we have no evidence that West Germany has ever approved sales of the TAM. [redacted]



[redacted] We believe that West Germany will continue to prohibit TAM sales to areas of tension and conflict in the future. [redacted]

**Outlook**

Argentina is attempting to circumvent Bonn's restrictions on export of the TAM by substituting its West German components with locally produced equipment, [redacted]

An Argentine officer claims a TAM prototype with a domestically produced engine has already been built. These efforts involve some adaptations of foreign technology, and Buenos Aires has sought assistance from the local Italian Fiat company. [redacted]

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Argentina's efforts in component substitution, however, will probably be unsuccessful because of technical and funding limitations. Argentina cannot produce the sophisticated operational and fire-control systems currently supplied by West Germany. Argentina's severe financial problems will probably also preclude capital investment to develop this capability. Use of other foreign-produced components is a possibility, but performance problems would probably be caused by their incompatibility with other systems. This would further degrade the performance of the TAM and expend additional scarce funds to correct the problem. [redacted]

In any case, Argentina will probably continue to be frustrated in its efforts to sell the TAM because of the limited Third World market for light tanks. Argentina and several other countries—including Austria, China, and France—have marketed tanks under 30 tons to meet a perceived Third World demand for vehicles that are less expensive, cheaper to maintain, and better suited to poor road and terrain conditions than main battle tanks. The market for light tanks, however, has been slow to develop. Industry sources cite several factors to explain the lack of demand for light tanks:

- Most Third World armies are reluctant to purchase light tanks until they have been proved in combat.
- Third World armies view light tanks as less capable in armor protection than their present main battle tank inventories.
- Few Third World armies have the power-projection requirements for which Western light tanks were originally designed.

Industry officials believe that Third World countries—contrary to supplier expectations—are willing to buy a smaller number of expensive main battle tanks rather than purchase light tanks as less capable substitutes. [redacted]

In addition, among the few Third World armies that may purchase light tanks, the TAM will face stiff competition from newer and less expensive models being developed. Venezuela, for example, recently favorably reviewed the US Rapid Deployment Force Light Tank scheduled for production in 1987, [redacted]

[redacted]

Finally, Thyssen-Henschel has developed a light tank for the export market similar to the TAM—the TH-301—which may contribute to Bonn's reluctance in the future to approve sales of the TAM. [redacted]

[redacted]

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**France: Licensing  
Arms Production** [redacted]

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**Summary**

An examination of French licensing experiences provides some useful insights into the complexities of licensed arms production. We have found that France, to help its arms sales, has been willing to license the production of its weapons to states hoping to develop their defense industries. Purchasers, however, have not always been successful and France—taking advantage of this—has been able to avoid creating new competitors. [redacted]

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**Background**

During the past 30 years, arms sales have increasingly included provisions for the licensed production of weapons or their components. Licenses have covered the full range of conventional military equipment, from pistols and munitions to high-performance fighter aircraft. Many countries have viewed the licensing process as a means of obtaining technology to build or advance their defense industries. [redacted]

continuing delays in US approval of licensed assembly of the F-16 and F-20 and concluded a licensing arrangement for the Mirage 2000. France has not ended the United States domination of the Egypt market, but its willingness to license has won it a substantial share. [redacted]

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France, the world's third-largest arms seller, is one of the largest licensors, dealing largely in the aerospace area. Since 1975 Paris has provided 27 licenses to 14 countries. Of these, 11 have been for helicopters and four for fixed-wing aircraft, including France's most sophisticated fighter, the Mirage 2000. [redacted]

As part of this strategy, France makes its licenses an attractive way to acquire arms, with financing and offsets tailored to each customer. Aerospatiale, in a successful effort to conclude a helicopter assembly deal with Brazil, did not charge royalties and agreed to take back any unsold products. In a helicopter license offer to the Philippines, the French Government agreed to provide \$16 million for plant construction. In the same deal, Aerospatiale gave the Philippine company marketing rights in Southeast Asia and manufacturing rights for spare parts and agreed to buy those parts for its own use. [redacted]

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**French Motives**

In the highly competitive international arms market, France uses licensing as a sales tool. By offering licenses as part of a purchase, France can compete with other sellers, break into new markets, and make the foreign sales that help support its domestic arms industry. Egypt, for example, receives most of its sophisticated arms from the United States. When Cairo sought to assemble the F-16 under license and the United States refused, France took advantage of

[redacted]

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**French Licenses Since 1975**

Date	Item	Buyer	Price (million US \$)	Remarks
1975	SA-330 helicopter	Romania	40	Assembly.
1975	20-mm cannon	South Africa	NA	
1976	Alouette-III helicopter	India	23.5	Production continues, most parts made in India.
1976	Mortars, 120-mm	Pakistan	NA	Production continues.
1976	Patrol boats	Greece	40	Built in Greece with French assistance.
1977	Matra 550 AAM	India	150	Production continues.
1977	Alpha jet	Belgium	NA	Assembly, with production of some parts.
1978	AS-350, SA-315 helicopters	Brazil	10	Assembly only so far.
1978	AMX-30 tank	Spain	NA	Began with assembly, now 85 percent Spanish parts.
1979	Puma helicopter	Indonesia	36	Assembly only.
1979	Milan ATGM	Italy	3.6	
1979	Alouette-III helicopter	Romania	15	Production.
1980	Durance-class support ship	Australia	NA	Under construction in Australia.
1980	Dauphin-2 helicopter	China	100	Assembly, some parts.
1980	Alpha jet	Egypt	360	Assembly continues.
1980	Fuzes	Egypt	NA	Technical assistance.
1980	Alouette-III helicopter	Romania	15	Production continues.
1980	Atar 9K50 jet engine	South Africa	NA	
1981	Gazelle helicopter	Egypt	36	Assembly continues.
1981	Milan ATGM launchers	India	13.8	Followed sale of ATGMs.
1982	Batral-class transport ships	Chile	NA	Under construction in Chile.
1982	Super Puma helicopter	Indonesia	3.5	Assembly.
1982	Mirage 2000 (option as part of a larger purchase)	India	NA	Option expired June (option expired June 1984).
1982	Mirage 2000	Egypt	1,000	Assembly.
1982	Alpha jet	Egypt	180	Assembly continues, 10 percent of parts made in Egypt.
1983	Super Puma helicopter	Egypt	NA	Assembly with technology transfer for composites.

**Purchaser Motives**

Most Third World purchasers have bought French licenses as a step toward creating independent, modern arms industries. These states usually expect to progress from assembling foreign provided kits, to domestically fabricating parts, and then to the independent design and production of future models. The underlying assumption is that skills and experience gained at each stage will allow progression to the next.

Egypt has been following this approach since terminating its domestic fighter and trainer projects in the 1960s. Cairo's aircraft industry has been able to perform minor overhauls on Egypt's MIGs and has manufactured some MIG parts and other unsophisticated aircraft parts. Since 1980, licenses have been purchased to assemble Gazelle and Super Puma

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helicopters, Alpha jets, and the Mirage 2000. Egyptian ambitions to begin progressing to a domestic fabrication phase can be seen in its 1983 purchase of French composite technology for the Super Pumas and its ability to manufacture 10 percent of the parts for the Alpha jets. The Egyptians hope to further expand their share of the production, but we believe that Egypt's limited base of technicians, resources, and experience will keep Cairo from manufacturing any but relatively simple parts. [redacted]

Other French customers have had similar ideas, with varying degrees of success. In the late 1960s, South Africa purchased the technology for the Cactus air defense system and has since developed an improved version that is currently in production. The founding of Helibras in 1977 by Aerospatiale and the Brazilian state of Minas Gerais to produce the AS-350 and SA-315 helicopters was to be the start of a Brazilian helicopter industry that would complement Brazil's successful airplane ventures. [redacted]

[redacted] however, Helibras has failed to advance beyond the assembly of light helicopters or to win Brazilian Air Force support. The French view the venture as a failure and may decide to pull out. If Greece purchases the Mirage 2000 as expected, the contract will probably include some licenses for parts or assembly to aid the development of the Greek aircraft industry. [redacted]

The idea of development often combines with a state's desire to diversify its sources of weapons. India, for example, receives most of its arms from the USSR and has many Soviet licenses but has sought to expand its suppliers in order to avoid total dependence on Moscow and to gain leverage in negotiations with the Soviets. As part of this policy, New Delhi has sought licenses for the production of French helicopters and, for a time, held an option on a license for the Mirage 2000. [redacted]

Motives for buying licenses other than development also play a role. China's purchase of a license to assemble Dauphin-2 helicopters is part of its drive for industrial and technological modernization. For Greece, domestic production may help mute political criticism of new weapons purchases. Italy is concerned with maintaining employment and licensing provides a way for Rome to acquire arms as well as create jobs. [redacted]

### Recipient Problems

While trying to build or expand their military industries, most countries find it difficult to make the transition from licensed production to independent design and production, and only a few have a good chance of success. We attribute this to the technical, financial, political, and infrastructural problems inherent in starting arms manufacturing programs and believe that only a few countries have the good planning, management, and government support needed for success. The Spanish aircraft firm CASA provides an excellent example. The company has produced fuselage parts for the Mirage F-1, has done subcontract work for Airbus and other foreign firms, and performed maintenance for US Air Force fighters. Using its experience, CASA has designed and manufactured transports and a jet trainer/light strike aircraft. With careful planning and marketing, the company has been able to make an impressive number of sales and establish itself as an aircraft producer. In addition, CASA hopes to be a partner in the next European fighter aircraft program. [redacted]

New Delhi's attempts to move from licensed production to indigenous design and production illustrate the difficulties that many other ambitious licensees still face. India acquired its license for Alouette helicopters in 1964 and has since obtained licenses for an additional French helicopter, while progressing from kit assembly to domestic fabrication of most of the parts used in the helicopters. Despite 20 years of experience building French helicopters, India has been unable to successfully develop a new light helicopter. New Delhi recently signed contracts for technical assistance in the design and production of such a helicopter with West Germany's MBB. [redacted]

Some French licensees may be unable to achieve independence because of nontechnical problems. Greece's Hellenic Aerospace Industries, which performs maintenance for foreign airlines and produces some parts for the French firm of Dassault-Breguet, has been unable to develop a coherent marketing strategy for making inroads in the Eastern Mediterranean aircraft maintenance market or winning subcontract work from West European companies. This is

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probably due in large part to HAI's unstable management, which in turn results from frequent hirings and dismissals, many politically motivated.

[Redacted]

The French do not appear to be concerned with the possibility of creating competitors but are careful in their dealings with successful licensees. For example, Paris extensively licenses helicopters; and, although this aids the development of new aircraft industries, by the time a client is able to produce its helicopter independently, it will have become outdated and France will be marketing a successor; no real competitor for sales of advanced technology helicopters will have been created. In cases where France has offered its most advanced technology, such as the Mirage 2000s for Egypt and India, it has only been when Paris is sure that the recipient is not capable of duplicating the technology on its own. We also believe that Paris is careful to protect technology that may create new, advanced competitors.

[Redacted]

**Outlook**

We believe that the French case is typical in that its licenses have not ended customer dependence on outside suppliers. Almost all developed countries, despite the great range of military equipment that they produce, have not been able to develop advanced technologies on their own. This, coupled with a failure to purchase or develop the production technology for modern arms, will serve to perpetuate consumer dependence.

[Redacted]

Licensing, however, has allowed France to continue selling arms while satisfying buyer demands for a production role. The French are able to make sales and compete with exports of other suppliers—at a time of shrinking world arms demand—and thereby support their arms industry. This accomplishment, made without significant loss of technology or the creation of competitors, will provide the incentive for France to continue using licenses as one of its principal marketing techniques.

[Redacted]

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**Arms Transfers: Significant Sales and Negotiations** [redacted]

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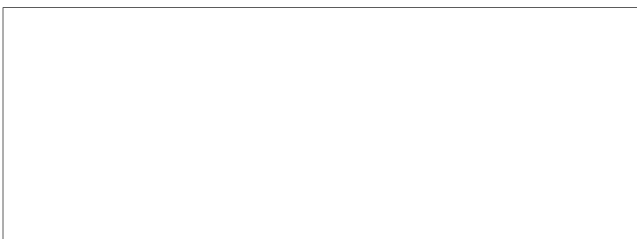
**Summary**

This article presents a listing and analysis of recent significant arms sales, negotiations, and trends. An item may be considered significant for political, military, or economic reasons. Prices will be listed when possible. Below are presented sales and negotiations from the summer of 1984. [redacted]

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**Asia**

The July sale of **Soviet** MIG-29s to **India** highlights the importance Moscow places on its relationship and the concessions it will grant to please New Delhi. Delivery of 40 MIG-29s—equipped with standard electronics and weapon systems and not yet in Warsaw Pact inventories—probably will begin in December, and another 130 are to be assembled in India. As usual New Delhi also received concessionary financing—a low interest rate and an extended repayment period. The Soviet deal was more attractive than the **French** offer for licensed production of the Mirage 2000. The Mirages would have been slightly more expensive and their technology less advanced. [redacted]



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In a July visit to **West Germany**, **Burmese** leader Ne Win signed two arms agreements. The first was for a \$23 million sale of rifles, machineguns, mortars, and antitank rocket launchers. The second was for a two-phase expansion of Burma's German-built arms plants. The first phase will probably rebuild an arms plant lost in a July explosion and add facilities to produce rifles and ammunition, and the second will expand it to begin the production of mortars and rocket launchers. [redacted]

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**Sri Lanka** purchased seven patrol boats from **China** under a July agreement. The boats will probably be used to patrol the straits between India and Sri Lanka to try to intercept supplies bound for Tamil insurgents. [redacted]

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**Africa**

Recent **Soviet** sales efforts in Africa have had mixed results. In July an agreement was reached with **Tanzania** to supply rocket launchers, howitzers, radars, ammunition, and parts. [redacted] the \$19.5 million deal also includes training and technical support. In August financial and political reasons led **Zambia** to refuse a Soviet offer to increase the level of military cooperation between the

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**Italy** has been developing an extensive arms relationship with **China** [redacted]

[redacted] The Italian firms of Selenia and Elettronica have signed contracts to sell electronic warfare and anti-aircraft defense systems. [redacted]



**Secret****Arms Transfers: Highlights Mid-1984**

Purchaser	Seller	Item	Date	Remarks
Burma	West Germany	Weapons and arms manufacturing facilities	July	Sold, total of \$60 million. Deliveries to begin in October 1984.
Chile	Spain	21 CASA 101 trainers	July	Bartered for 40 T-35s.
China	France	Three Super Frelon helicopters	July	Delivery in November 1984.
	Italy	Electronic warfare and air defense systems	June	Sold, reported as "tens of millions" of dollars.
Colombia	Israel	9,000 Galil rifles	May	Sold, 13 percent interest on an eight-year loan with two-year deferral.
Cyprus	France	Crotale batteries	August	Sold, \$81.3 million.
Egypt	China	Frigate	August	Delivered, under a 1980 agreement.
Ecuador	Israel	Galil rifles	July	Sold, \$15 million.
West Germany	Sweden	Antitank mines	July	Sold, \$43 million.
Greece	USSR	Construction equipment	August	Sold, \$25 million.
Haiti	Italy	Four S-211 trainers	July	Sold, \$6 million.
India	USSR	MIG-29s	July	Sold, includes licensed production of 130 planes.
		SAM-8s	Summer 1984	Delivered.
	United Kingdom	26 Westland 30 helicopters	July	Possibly loaned, value of \$72 million.
Indonesia	South Korea	35,000 US mortar rounds	July	Sold.
Iraq	Egypt	Nine Gazelle helicopters	August	Sold, helicopters built in Egypt under license.
South Korea	Italy	Two Pluto mine inspection submersibles	June	Sold.
Libya	Italy	110 Otomat missiles	July	Sold, \$81 million.
Nicaragua	Bulgaria	Communications equipment	August	Sold, \$9 million, to be paid by barter.
Paraguay	Spain	Four C-212 transports	April	Sold.
Saudi Arabia	France	Eight Crotale batteries	August	Sold, \$65 million (estimate).
Sri Lanka	China	Seven patrol boats	July	Sold.
Sweden	West Germany	125 BO-105 helicopters	June	Sold, \$23.7 million. Delivery to start December 1986.
Syria	France	15 Gazelle helicopters	July	Sold, for delivery in 1985.
Tanzania	USSR	Ground forces equipment	July	Sold, \$19.5 million.
Zimbabwe	Brazil	90 Cascavel APCs	July	Sold, \$41 million.

two states. [redacted]

**Middle East**

Jordan and the USSR are continuing to negotiate a new arms sale that almost certainly will cover short-range air defense systems. King Hussein believes the Soviets will supply arms more quickly and on easier

terms than any other country. According to military reporting, Amman is confident it can quarantine Soviet advisers and prevent them from gaining any political influence in Jordan. [redacted]

With the drop in its oil revenues, Libya has been increasingly hard pressed to pay for its Soviet weapons. [redacted]

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Libya has long made it a practice to diversify its arms suppliers, and as part of this a delegation went to **Argentina** and **Brazil** in August to see what equipment is available. [redacted]

**Egypt** continues to take delivery of **Chinese**-built warships. In August Cairo received the first of two frigates included in a \$750 million arms agreement signed in 1980. The frigate is the largest Chinese warship yet exported, and Beijing is hopeful that this will lead to further sales of major combatants to the Third World. [redacted]

Egypt is also taking steps to develop its domestic aircraft industry. The US-built F-20 fighter was demonstrated in Egypt on 19 September, and observers from **Kuwait**, the **UAE**, **Saudi Arabia**, and **Sudan** attended. The Egyptians are hoping to promote enough demand for the plane to justify licensed production in Egypt. [redacted]

**Europe**  
France reportedly has loaned \$81 million to **Cyprus** for the purchase of Crotale SAM systems. The purchase, probably of three or four batteries, plus radar and support equipment, is part of the Cypriot National Guard's modernization program and will help to counter Turkish air superiority over the island. [redacted]

**Greece** has purchased \$25 million worth of **Soviet** road construction equipment for its Military Construction Service. The equipment, including bulldozers, graders, and trucks, will reportedly be paid for by bartering agricultural products. The purchase may be intended to deflect Communist Party criticism of the government's purchases of military equipment from various Western countries. [redacted]

**Persian Gulf**  
**Kuwait's** August purchase of unspecified antiaircraft systems from the **USSR** appears to be the conclusion of negotiations begun in 1982 and not a reaction to the US refusal to sell it Stinger missiles. The military significance of the sale will be lessened by manpower

shortages and technical problems that will prevent the Kuwaitis from making effective use of new Soviet arms for some time. The main importance of the sale is probably its reflection of Kuwait's hope that it will deter Iranian attacks by showing that Kuwait is receiving superpower support. [redacted]

**South America and the Caribbean**  
The Government of **Haiti**, despite its economic problems, has moved in recent months to acquire new weaponry. In July the Duvalier regime reportedly signed a \$12 million order for four **Italian** S-211 jet trainer/light attack aircraft with munitions and support equipment. In August the US Embassy in Port-Au-Prince reported that Haiti had successfully negotiated a line of credit for 2-3 million from **Argentina** for arms purchases. [redacted]

**Argentina** is continuing to try to find buyers for its warships. No customer has been found for the Navy's West German-produced Type-209 submarines and Buenos Aires has received an extension of the manufacturer's permission to sell them. Buenos Aires is also still searching for a buyer for its two **British**-designed Type-42 destroyers. [redacted]

**Central America**  
In late August, **Nicaragua** opened letters of credit with the **USSR**, **Bulgaria**, and **East Germany** for about \$67 million. [redacted]

**Bulgaria** will ship approximately \$9 million worth of communications gear to Nicaragua. A small part of the payment will be made in currency, and the remainder will be credited to a 1982 barter agreement between Sofia and Managua. [redacted]

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