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MINISTRY OF DEFENCE  
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*Defence*

MO 26/9/15

17th July 1981

*ms*

*movement of*

*John Michael,*

*Rome Minister*

*(4)*

ILLEGAL EXPORTS TO IRAN

*Phd - 24/7*

*attached*

In my letter of 15th December 1980 I reported on the investigations which had been undertaken into reports that Scorpion tank engines were being exported illegally from the UK to Iran, and I said that I would write again when these investigations were complete. Customs and Excise have subsequently carried out further extensive inquiries, and I am now able to report further. Some of the background to this story appeared in "The Observer" on 12th July (extract attached).

These further inquiries have established that 50 Scorpion tank engines left the country illegally during the latter part of last year, of which 40 were exported by a Dr Smalley through M & S International of Leicester and Kofor Holdings. This latter company is registered in Jersey, which explains the Jersey connection mentioned in my earlier letter. There is however no evidence to suppose that the engines were exported via Jersey, and I am advised that Jersey Aviation are not involved at all. Ten engines were exported by a firm called Alcom Ltd (not Armalite Ltd as previously reported, though the person primarily responsible, Mr Parish, is a Director of both firms). The final destination of the engines has not been determined. The 40 went to Egypt and the balance went first to Madrid, but it has not proved possible to trace their whereabouts thereafter. We have no clear proof, therefore, that the engines were intended for, or arrived in, Iran.

I understand Customs and Excise believe that the evidence discovered during their inquiries should be sufficient to support a prima facie case against Dr Smalley for failure to obtain an export licence for these engines. In the case of Mr Parish,

M O'D B Alexander Esq

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investigations have now also been completed, and Customs and Excise will be submitting the evidence to their Solicitors for advice on whether it is strong enough to support proceedings. When this has been done, I gather that Customs and Excise will be considering what action to take against those concerned.

I am copying this minute to Andrew Jackson (Home Office), Roderic Lyne (FCO), Richard Tolkiën (HM Treasury), Nicholas MacInnes (DOT) and David Wright (Cabinet Office).

*Yours sincerely*  
*J D S Dawson*

(J D S DAWSON)

21 JUL 1981



COMPTON



# Iran bought tank parts in Britain

by PETER DURISCH

A LONDON arms dealer has exported British tank engines to Iran in defiance of the Government's embargo on arms sales to Tehran.

Iran, desperate for supplies in its war with Iraq, is believed to have paid 'several times' the market price for the engines, resulting in huge profits for the dealer.

The clandestine deal, which was concluded earlier this year, was being negotiated even while the American hostages were still held in Iran.



Scorpion light tank.

On Friday morning, BL admitted that Alvis had sold Scorpion engines to the London dealer.

'We supplied this man with a quantity of equipment,' Mr Brian Johns, a BL spokesman, said.

'They were Jaguar engines that had been de-tuned.

When the British Government discovered the destination of the engines, it started an investigation.

Gaspar's inquiries last week resulted in long meetings among senior Whitehall officials. Arms export licences are issued by the Department of Trade. After consultations with the Ministry of Defence on Friday, a Department of Trade spokesman admitted: 'Investigations into whether Scorpion engines have been exported illegally have been in progress for some time. It would not be appropriate to comment further at this stage of the investigation.'

The engines were supplied from the Alvis factory in Coventry and are specially modified to fit the Scorpion light tank.

Iran has 250 Scorpions fitted with 76mm guns which have a range of about three miles.

Inquiries, spanning three months, began when sources in the arms industry said that a small-time arms dealer was wandering around London boasting: 'I've sold tank engines to Iran.'

This man had earlier this year, paid cash for two expensive motor cars. He entertained lavishly and ate in London's better restaurants.

Sources in contact with Tehran persistently said that the engines had arrived there and that a letter was written several months ago from Alvis to the dealer thanking him for his £100,000 deposit and promising to deliver the engines as soon as possible.

Mr Anthony Quayle, managing director of Alvis, said last week: 'I have no comment to make to THE OBSERVER on this topic or any other aspect of this company's commercial activities.'

The Scorpion engine is basically the Jaguar 4.2 litre XK model modified by Alvis to drive the tank's 7.8 tonnes compared to the Jaguar motor car's 1.8 tonnes.

A week ago, British Leyland announced that it is to sell Alvis for £27 million to United Scientific Holdings. However, at the moment Alvis is still part of BL.

Jaguar sell them to Alvis who push them into Scorpions.'

Arms sales usually require an export licence and this is granted only after the authorities are satisfied where the equipment is going. Frequently, the destination is established by means of a document known as an 'end-user certificate.'

'The sale was to a UK company and as such Alvis did not need to see an end-user certificate,' Mr Johns said. 'It was his responsibility to obtain the necessary documentation. There is a distinction between supply to UK-registered people and overseas people.'

From BL's replies, it seems that any Briton can walk into Alvis and buy a Scorpion engine but foreigners are questioned about their reasons for wishing to purchase. Alvis are adamant that they did nothing wrong.

'The point we would make is that throughout this Alvis has acted entirely correctly and in line with normal procedure,' Mr Johns said. 'That was borne out by the inquiry and investigation. The investigations exonerated Alvis from any wrongdoing in the deal.'

After leaving Alvis, the engines found their way to Iran by some circuitous route. Companies in Portugal, Spain and Egypt are alleged to have been involved in the transaction.

However, when the engines left Britain for Iran they should have had an export licence. An export licence would not have been granted earlier this year for Iran.

On 11 May in the House of Lords, Lord Carrington, the Foreign Secretary, said: 'Sales of arms and military equipment are subject to customary licensing procedures. Applications are considered in the light of all relevant circumstances including our relations with the countries involved and, in the case of Iran and Iraq, our neutrality obligations during the present state of hostilities where HMG's overriding interest is to encourage an early and negotiated settlement.'