



MINISTRY OF DEFENCE
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MO 26/9/15

15th December 1980

Prime Minister

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John Michael,

Smith 16/12/80

T. A. Smith

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DEFENCE SALES TO IRAN

As you already know, it came to our notice recently that attempts were being made through a number of international companies, including SETI International of France, to export Scorpion tank engines from the United Kingdom to Iran. I am writing to inform you of the results of our investigations so far.

The Scorpion is powered by a Jaguar J60 4.2 litre engine de-rated in horse power and proofed for underwater running. The only normal sources of supply for overseas customers are the MOD's Defence Sales Organisation, who hold stocks of Scorpion spares for overseas customers together with spares for the British Army, and Alvis Limited, the manufacturers of the Scorpion.

No order has been received by these sources from any unusual customer. This would therefore rule out Spain and Portugal (both of whom had appeared in the evidence as intermediaries for the delivery of engines to Iran), neither of whom operate the Scorpion. The inquiry was therefore widened to include the manufacturers of the engine, Jaguar Motors Limited. I understand that it would be possible to fit a standard Jaguar car engine to a Scorpion but that this would limit the scope and efficiency of its operation. As standard car engines are not subject to export control, this would make investigation and suppression of the supply more difficult.

It was discovered however that Jaguar Motors had received an order for, and had delivered, ten de-rated and waterproofed Jaguar engines to a firm called Armalite Limited and were in process of packing and delivering a further ten. The Export Licensing Branch of the Department of Trade acting in association with the Defence Sales Organisation and Customs and Excise have now notified Armalite that the engines concerned are covered by

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the provisions of Group 1 of Part II Schedule 1 to the Export of Goods (Control) Order 1978 and may not therefore be exported without a licence. The investigations have revealed that further engines, possibly as many as 40, have been delivered to Iran. There is also evidence that another company, M and S International, operating through Madrid and Cairo are involved. We believe that supply through all UK channels has been stopped but our investigations are still proceeding.

In addition to engines for Scorpion, the Iranians are making efforts to obtain engines for Chieftain tanks from this country. Our officials are, however, in close contact with all known sources of supply. The Iranians are also looking for American aircraft spares from a number of countries. We think it unlikely that UK firms would be approached for the supply of American aircraft spares, which would in any case be subject to export licence. There is some evidence, however, that a Jersey-based company may be involved and this is being investigated in co-operation with the Jersey Authorities. You may recall that Jersey Aviation were prosecuted some years ago for the illegal supply of tank spares to South Africa but it is not yet known whether the same company is involved on this occasion.

I will write to you again when investigations are complete. I am copying this letter to Stephen Boys Smith (Home Office), Paul Lever (FCO), Richard Tolkien (HM Treasury), Stuart Hampson (DOT) and David Wright (Cabinet Office).

Yours sincerely
Jonathan Dawson

(J D S DAWSON)



The Government of India, Ministry of Education, New Delhi, is pleased to inform you that the following information is being furnished to you for your information.



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