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Foreign and Commonwealth Office

London SW1A 2AH

14 May 1981

Wayland
18 October 2012

Prime Minister:
A good story.

Dear Michael,

Print 15/5

Exposure of KGB Operation in Norway:

'The Times' carried on its front page on 8 May a short item reporting the resignation from his post in Vienna of a Soviet official, Dr A Belozarov, following what he claimed were false reports that he had been involved in espionage activities. I attach a copy of the report.

You may be interested to know that this represents the tip of an iceberg

In 1974, a KGB officer then serving in Oslo 'recruited' a Norwegian oil expert. The expert was in fact controlled from the outset by the Norwegian intelligence authorities.

From 1974 until December 1979, the oil expert acted as a highly successful double agent, giving the Russians material which had in every case been approved by the Norwegians and our friends, who in the course of the operation learned a considerable amount about the way the KGB operates.

The KGB officer concerned showed himself from the outset venal and avaricious; he asked the Norwegian for presents and subtracted a 'commission' for himself out of the money which the KGB was paying the Norwegian. He met the Norwegian regularly, first in Oslo, then in Vienna, until December 1979 when the KGB withdrew him, substituting as his case officer another KGB officer, Dr Arkady Belozarov, Secretary of the International Institute for Applied Systems Analysis in Vienna.

Shortly after this handover, the Norwegians concluded, that they had gained all that they could from the operation, and that it was time to end it. As a result of this and other cases, the Norwegian

/intelligence



intelligence authorities had identified as KGB agents 11 Soviet officials, six of whom were still in Oslo; and they accordingly recommended that all six should be expelled. However, Norwegian Ministers decided that only one of the Soviet officials in Oslo should be expelled. This was done on 1 April 1981; and the Russians were told at the same time that two other officials who had previously served in Oslo would not in future be issued with visas for Norway.

This action by the Norwegians has generated a satisfactory amount of international publicity, for which have been in part responsible. The publicity started with a detailed article in consultation with the Norwegian authorities - arranged to be printed in 'Now!' magazine on 10 April (copy attached). This article sparked off considerable interest in the international media. One of the authors was interviewed on BBC Radio 4 and on Canadian radio. Two Austrian papers carried articles based on the 'Now!' story and the Far Eastern Economic Review also carried a story on the same subject. A West German television station has recorded an interview with the Norwegian double agent; and there has also been extensive publicity in Norway.

On 16 April it was announced that Belozarov - identified in the 'Now!' article as one of the KGB officers who had helped to run the Norwegian double agent - had resigned from his job in Vienna. The story of his resignation, and of his links with the Norwegian affair, was promptly carried on the BBC World Service and was the subject of a front page story in the International Herald Tribune next day. 'The Times' seems to have got hold of it rather belatedly.

7-11-81
GGH

(G G H Walden)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

Soviet scientist resigns

By Pearce Wright, Science Editor

Dr Arkady Belozerov, a senior Soviet scientist, has resigned as secretary of an international think tank after accusations of spying against him.

Dr Belozerov, an expert in plasma physics, has returned to Russia from the International Institute for Applied Systems Analysis, near Vienna, which was created nine years ago in an agreement between the

United States National Academy of Sciences, the Soviet Academy of Sciences, the Royal Society and 11 other national scientific bodies.

His letter of resignation simply states that there had been accusations made against him in the Austrian and foreign press. These were without factual basis, he said, and he denied them completely.

'The Times' 8 May 1981 (front page)



EXPOSED: THE KGB'S NORTH SEA SPY RING

For six years, a brilliant double-cross by Western Intelligence fed the Russians false information about Britain's oilfields. Christopher Dobson and Ronald Payne reveal the secret of the courageous agent who finally 'blew' his Red contacts on April Fools' Day

An international KGB operation to probe the technological secrets of Britain's North Sea oil fields and to prepare the way for Soviet naval attacks on them in the event of war has been foiled by a courageous double agent working for Western intelligence.

NOW! can reveal that for six years the KGB spymasters were completely hoodwinked by an agent they knew as "Jan Jansen". He fed harmless information to his Russian contact while their meetings were photographed and their conversations recorded.

NOW! has seen some of the "shopping lists" of information the KGB sought. The Russians wanted highly detailed technological and geological information about exploration and drilling for both oil and gas in the North Sea. They also wanted him to spy on Nato.

But the answers supplied by Jansen (the codename the KGB gave a Norwegian oil engineer) were carefully doctored, not only to mislead the Soviet Union, but to get for

1. Information on geophysical works and exploratory drillings for striking the oil and gas in the North and Norwegian seas during 78-79 years.
2. Oil and gas exploration and re...
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Simulation study exact emolacement of gravity structures

CMI 790201-1, Fantoft 1979-05-00 1
The report presents a simulation for exact emolacement of a concrete template containing pre-drilled wells different weather states including conditions. The report is in three Appendix A and Appendix B.

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CONPROD. Deepwater production platform

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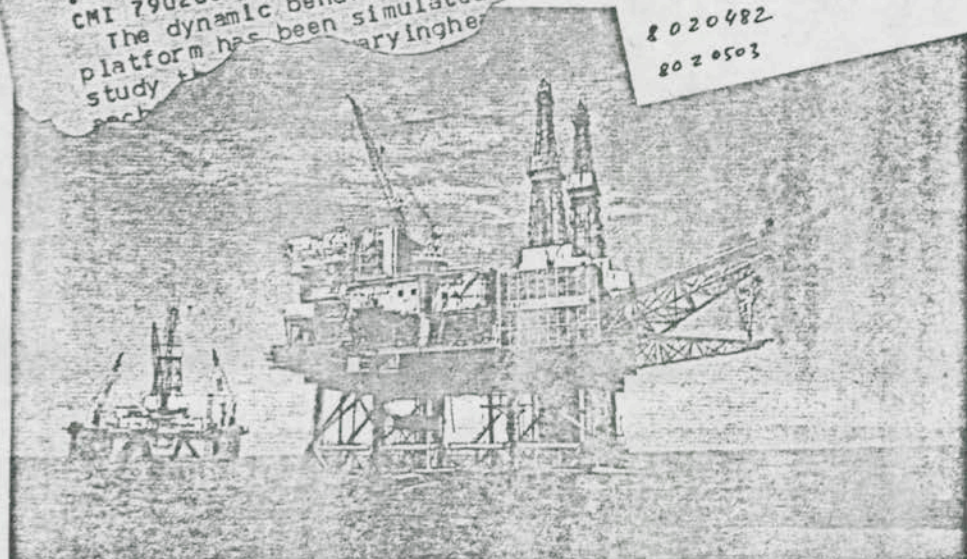
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NIALL COITON/DAILY TELEGRAPH

Two pictures of Soviet spies at work on these and following pages were taken by Western Intelligence agents
LEFT: One of many meetings in

Vienna at which Arne handed over information. ABOVE: The Red 'shopping list' of items required with, left, the technical data 'fed' from a published pamphlet

the West valuable information about the Russians' own military and technological advances.

Jansen's double-cross continued until just over a week ago. And, ironically, it was on April Fools' Day that the KGB realised that it had been duped. On that day Timov Besedin, a Soviet trade official, was expelled from Oslo for "activities incompatible with his diplomatic status". Besedin was a member of the "Jansen Ring" and his expulsion set the alarm bells ringing — especially in Vienna. For there, Dr Arkady Belozero, the distinguished Soviet scientist who is Secretary of the International Institute for Applied Systems Analysis but was also "running" Jansen, had a rendezvous with him for 5 o'clock on Saturday, April 4 outside the Vienna Volks Opera to pick up more information. When Besedin was expelled Belozero knew that his KGB role had been "blown". He must be wondering how his carefully nurtured operation went wrong.

NOW! can enlighten him. Jan Jansen had another codename: Arne, given to him by the Norwegian security service. For more than six years Arne, thought by the Russians to be "Nash" (Ours), played the dangerous and difficult role of double agent. He completely outfoxed the Russians and when the Norwegians finally decided to end the game, they wrapped up yet another KGB spy ring.

At every meeting Dr Belozero and, earlier, a predecessor made specific requests for information from Arne, many of them involving British oil interests in the North Sea. But every request was passed directly to Western analysts. Every scrap of information passed to Dr Belozero was "sanitised" before being handed over. All their meetings were monitored by counter-intelligence.

It was a brilliant operation. Much valuable information was gathered by studying the Russian requests for information. They revealed not only those fields in which the Russians were interested but, by a pro-

cess of reverse questioning, gave the Western analysts a picture of Russia's own advances in certain areas of great importance both militarily and economically. A certain amount of "disinformation" was also filtered back and now the Russians are faced with the task of re-evaluating all Arne's material. Psychologically, it has also given the KGB a bloody nose at a time when the rest of the world has begun to think that it gets everything right and the Western security services are made to look foolish. This time it is the KGB which is wearing the dunce's cap. And, with these revelations by NOW!, the international espionage activities of Dr Belozero should be at an end and he will be able to return to Moscow to carry on his studies in his speciality of plasma physics.

The story started in August 1974 when Arne was on his company stand at a trade exhibition in Norway. Among the prospective customers who came along asking

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Spy ring exposed

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for information was a man who introduced himself as Alexander Dementiev from the Soviet trade mission.

Dementiev said that it would be nice if he could have some of the company publications sent on to him. Soon the idea of a business lunch was put forward, and then little presents — "a bottle of good Russian vodka" — started appearing.

In the best style of business contact-making these moves were followed up. "Sasha", once they were on first name terms, explained that he had excellent contacts in Soviet commerce and could arrange deals on favourable terms. As the relationship became more cordial "Sasha" began to ask Arne for more precise information. When the arrangement seemed to be going nicely he went on to say how helpful even more details would be, and that his "business" friends in the Soviet Union would be happy to pay Arne for such helpful material. "If you play your cards right you could make a lot of money," said Dementiev.

But Arne was not as foolish and as pliable as the Russians believed. He realised at this point that he was being recruited in the

customary fashion degree by degree as an agent of the KGB. His reaction was to contact the Norwegian Secret Service. They explained to him how to become a double agent and immediately took control of the affair. Operation Arne had begun.

At first it was played between Dementiev and Arne in Oslo. Arne has nothing but contempt for the Russian, regarding him as uncouth and corrupt — both professionally and financially.

Dementiev also placed high value on anything he could present as being secret. When Arne produced published documents which contained the answers to many of the questions he was asked — for much of the information requested was regularly published in scientific and oil industry journals — Dementiev would say to him: "Please get your secretary to type it out so that it looks more secret." Not only did he deceive his masters in order to enhance his own prestige, he practically begged Arne to con him. Arne did so, but not in the fashion Dementiev expected. But what really angered Arne was that when Dementiev paid him for his information, usually sums of around £1000, he made Arne sign for the full amount — but always took his commission.

However, while Dementiev may have been low grade, his requests for information from his seniors were not. They were concentrated on three areas: 1. Technical and geo-physical

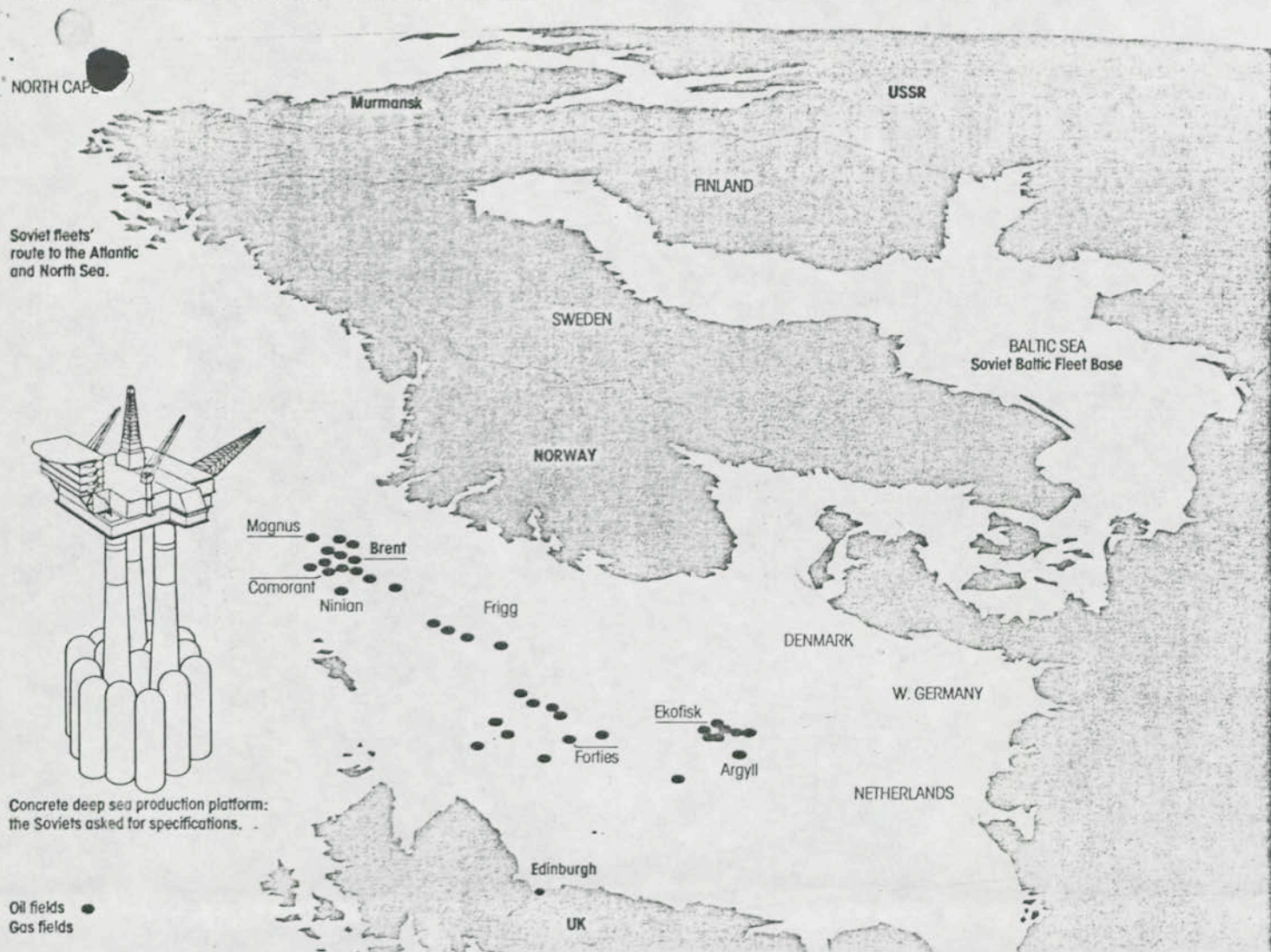
ABOVE: Arne first cemented his friendship with Dementiev in Oslo. INSET: A snatched frontal shot of the Russian agent

aspects of the North Sea oil fields; 2. Exploratory and naval activity in the Arctic — especially military activity by the United States; 3. Details of China's search for offshore oil wells.

China was of especial interest. Arne was told by Dementiev and later by Belozarov that China was Russia's main enemy and that information about developments in China was of prime importance. It was even suggested that they would finance Arne to establish a company in Hong Kong to collect intelligence on China.

Their particular interest in the North Sea was in the new technology developed by the Norwegians and the British to bring the underwater oil fields into production. At one stage they showed great interest in oil platforms which were being made of concrete.

At first sight their "shopping lists" of intelligence which were always written in English, the common language of the meetings, would seem to deal with relatively harmless subjects. Some of it has indeed been published in trade and scientific journals. But, on closer examination these re-



DAVID CASE

BRITAIN'S OILFIELDS: A KEY TARGET FOR SOVIET ESPIONAGE

quests reveal a search for knowledge which would enable the Soviet Union's 400-strong submarine fleet to plan attacks on the North Sea oil fields and any similar Chinese developments.

Information they asked for about work carried out by Shell in the politically and militarily sensitive East China Sea included:

- Data of the Geophysical Survey performed by the Shell Company over the territory surrounded by Japan, Korea and Taiwan.

- Field maps, technical documentation and any other information concerning the regions of the South and East China Seas, the Yellow Sea and Pohai Bay on the following problems:

- a) Resources of all kinds of mineral reserves (oil, gas, coal, uranium, different ores and non-metallic minerals);

- b) Any information concerning fields of mineral deposits;

- c) Any facts of underground waters;

- d) Data of geological structure and mineral deposits of the East Asian Shelf area;

- e) Data about effective ranges of geological explorations;

- f) Data of geophysical investigations on dry land and in the Shelf;

- g) Data on the mining of different minerals in the area.

This sort of information, while invaluable

in assessing a potential enemy's economic assets and providing a framework for one's own research and development programmes is also, in the case of the Soviet Union, of special military value. It is fed into the military computer to provide maps giving information about the seabed, differing sea temperatures and magnetic anomalies — all of them part of the tactical battle for command of the oceans which would be vital in any future war between the West and the Soviet Union.

The game between Arne and Dementiev went on until 1977, when it was caught up in another case of espionage. Fru Gunvor Haavik, a 64-year-old clerk in the trade political department of the Norwegian Ministry of Foreign Affairs, was arrested at a secret meeting with A.K. Printsipalov, Third Secretary of the Soviet Embassy in Oslo. She was accused of having been recruited by the KGB during her tour of duty at the Norwegian Embassy in Moscow from 1947 to 1958 and was alleged to have supplied the Soviet intelligence service with "information of importance to Norway's security". Later, the Norwegian Attorney General announced that she had confessed to having spied for the Russians for nearly 30 years.

A few months later Fru Haavik died of a heart attack while in custody. It was a typical case of a lonely woman diplomat being

suborned by the KGB and the Norwegians reacted in the traditional way. They expelled Printsipalov along with G.T. Titov, who was named as the head of the KGB in the Russian Embassy, and several others. Among them was Dementiev.

Arne thought his double game was over. He had gone into it fully aware of its dangers because, he argues: "You hear about these things, but somebody has to do something to stop them. Why shouldn't that be me? That was my role. They have to be stopped somewhere." But he was not too unhappy that it appeared to have ended. The strain was beginning to tell. Dementiev had begun to get under his skin.

However, a year later he was contacted by G.G. Petrov, another official of the Russian Trade Delegation in Oslo, who approached Arne at another exhibition. Without subtlety he baldly told Arne he was bringing "a greeting from Dementiev". He asked: "Would you be interested in seeing him in Vienna?"

Arne agreed, and arrangements were made for a preliminary meeting with Petrov at a rendezvous in the University Bookstore at Blindern, Oslo at 2 pm on November 14, 1978. An alternative meeting was fixed for the following day in case anything went wrong.

In the event Petrov missed the first

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Spy ring exposed

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meeting because, it is now known, the KGB were checking that Arne had gone to the rendezvous unaccompanied by minders. But the following day Petrov did come, and he told Arne to fly to Vienna on December 9 for a meeting with Dementiev outside the Volksopera at 1600 hours. An impressive team of Soviet counter-surveillance men covered that meeting.

Arne met Dementiev outside the Volksopera and was told to make his own way by taxi to Tetniker Strasse 5, a block of flats occupied by the Economic and Commercial Section of the Soviet Embassy.

Arne went to the meeting wondering if they had discovered he was a "double" and had set a trap for him. His fears were increased when he was taken to the living quarters of the Russian diplomatic community in Vienna and led through a large group of Russians who were milling around in the doorway.

He was whisked through them and upstairs into a room. "All the time, I was wondering if this was a revenge type operation." But when they entered a room, the usual bottles of drink were produced and he was put back into operation. He now regards that first main meeting after the year-long break as a psychological test by the KGB to see if he had kept his nerve.

Dementiev asked Arne if whether he had reported to the Norwegian Secret Service about their relationship, but when Arne denied this indignantly they went on to discuss future meetings. Dementiev suggested they should take place in either Helsinki, West Berlin, Switzerland or Vienna. They agreed on Vienna. Dementiev then asked about his expenses. Arne said they totalled a thousand American dollars. Dementiev then said in a low voice — in case his own side was listening — that he too had incurred certain expenses. He pulled out a wad of 20-dollar bills and gave Arne 50. The rest he kept. He did not even offer to pay for Arne's taxi. Arne said he always took his "10 per cent."

From then on Arne picked up the routine, meeting Dementiev several times in Vienna. It was always the same. They would agree on a date, always a Saturday at five in the afternoon and usually outside the Volksopera. A few days before the meeting Arne would send a copy of the magazine *Farmand* to Petrov with a corner of the page showing the date turned down. This was the signal that he could keep the agreed meeting.

He would receive confirmation of the meeting when a copy of *Fortune*, the American business magazine, arrived through the post. Then, a couple of days before the meeting he would go to a pre-arranged spot in Oslo where he could be seen



The Russian trade mission in Oslo where Dementiev had his base and where Arne allowed himself to be 'suborned'

by KGB men. There would always be Norwegian security agents waiting and in this way they were able to identify a number of Russian spies.

The system worked well until one Saturday Arne was met at the Volksopera not by Dementiev but by a short, plump, well-dressed man who spoke to him in excellent English. It was Dr Belozarov. Arne had not been warned of the switch and Belozarov gave little explanation for Dementiev's non-appearance and made no attempt to smooth the handover. Crudely, he told Arne that Dementiev had been promoted and could no longer leave the Soviet Union because he "knew too much".

Belozarov proved to be a bungler on a scale which amazed the Western watchers. If ever a film is made on how not to conduct the business of espionage, Belozarov would be the star.

He led Arne off to a restaurant which proved to be closed. He took him to another restaurant. It too, was closed. And so was a third. All this took place round the corner from his home at Gersthofstrasse, Vienna 18. When they eventually found a restaurant that was open he took some documents from Arne to hand them over to someone in a waiting car who would take them away for photocopying. He returned a few moments later with the documents, explaining that he could not find the car.

Belozarov gave away an extraordinary number of personal details, including the

history of his service with the KGB and, astonishingly enough, he mentioned that he had recruited and "run" an "important person" in Vienna. He gave away sufficient details for Western agents to identify the traitor.

His attitude to money was strikingly different from Dementiev's. Though Arne had been promised 10,000 dollars for an oil report he had brought with him to the meeting, Belozarov refused to hand over any of the money until the report had been examined. Arne, furious, pointed out that he had paid for the report out of his own pocket and did not propose to act as the KGB's banker.

However, they fell into a routine for meeting. Having met at the Volksopera they would go for a long walk, with Belozarov checking to make sure they were not followed. Then they would go to a restaurant for a meal which would last several hours. They would discuss the material Arne had brought and he would be handed his new assignments.

Belozarov was always interested in China, reiterating that China was the Soviet Union's main enemy. He asked Arne to make contact with Chinese delegations visiting Norway and to find out as much as possible about their mission. He wanted to know if Arne had access to published reports on Chinese geological surveys and petroleum exploration.

He was also interested in virtually everything to do with North Sea oil technology. Russia, apart from a few shallow offshore wells at Baku has no experience in this field and as in most branches of technology where the Soviet Union lags behind the West, finds it simpler and

cheaper to steal the West's knowledge rather than develop its own.

One of the items in NOW!'s possession is a slip of paper which was handed to Arne by Belozarov which lists the index numbers of various scientific papers relating to the North Sea oil industry in which he was particularly interested. They range from the effects of corrosion on oil rigs, to reports on concrete deepwater production platforms and the evaluation of diving accidents and decompression problems.

What Soviet intelligence was trying to get hold of was every detail of operations by international oil companies operating in extremely difficult Northern conditions. Advanced technology for such operations is still lacking in the Soviet Union, which concentrates its scientific resources in strictly military areas. But Soviet espionage is not only acquisitive in the sense of discovering how the West develops its resources. It is also military and political.

The Red Army staff needs to know not only the extent of Western oil resources but also the precise position of installations which Soviet forces would attack in war. Equally their agents are always alert for information about the defence of oil installations, and that is why the Norwegian double agent was asked for information about Western naval operations in Arctic waters.

The Kola Peninsula and the North Cape, where Norway meets the Soviet Union, is a highly important military and naval area in big war strategy. It is not surprising that the Soviets wanted information about allied naval defences in that sea area, through which Soviet warships, submarines and troops would need to pass for their assault on the West.

Soviet agents on several occasions told Arne that they considered China to be their most formidable enemy. It is not surprising therefore that they should consider it a sinister development that Western oil companies have been at work in the Far East helping the Chinese to develop their own oil resources.

In the last three years an international consortium in which BP and Shell play a leading part has been searching for oil on the southern Yellow Sea off the China coast. So far they have carried out a major seismic survey of 30,000 square kilometres, and BP was drilling the second of two stratigraphic tests.

Because the Chinese government insists on tight security, no details have been published of the findings. It was in order to probe such tightly guarded secrets that the Russians were urging the man they thought was their own exclusive agent to set up a business in Hong Kong.

This search for information is part of the



ABOVE: Gunvor Haavik when she was interpreter in a Russian prison camp
INSET: Aged 65, after she confessed to spying for the Soviets for 30 years

KGB's world wide plan for economic espionage. The campaign is run by the State Committee for Science and Technology whose staff is largely composed of KGB and GRU (Military Intelligence) officers. The deputy director of the committee's department for economic relations with the West is Dmitry Pronsky.

He was given the job after being recalled from Geneva following unwelcome publicity about the way his agents were using United Nations institutions to steal Western industrial secrets.

Dr Belozarov, with his Institute for Applied Systems Analysis, fits well into this pattern. The KGB likes to take on specialists in different spheres — biologists, mathematicians, linguists, electrical engineers — to become "Gebists" — the Russian slang for KGB agents derived from the letters G and B (KGB stands for Komitet Gosudarstvennoy Bezopasnosti, the Committee for State Security).

He studied in Canada and acquired a PhD in Plasma Physics, that arcane branch of modern research which concerns itself with the matter contained in thunderbolts and applies itself directly to the sources of power.

His Institute, through the generosity of the Austrians, enjoys the former Imperial amenities of the Hapsburg hunting lodge at Schloss Laxenburg, 10 miles South of Vienna. The Chairman of its Council is Professor Jermen Gvishiani who is also Deputy Chairman of the Soviet Union's State Com-

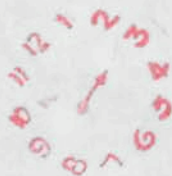
mittee for Science and Technology. Seventeen countries from both East and West take part in the Institute's work, with the Soviet Union and the United States providing the bulk of its funds. Its objective is said to be the "promotion of international collaboration by bringing together scientists of different disciplines, cultures and nationalities to work on problems of concern to mankind and creating a network of scientific institutions for joint research. . . and to apply its findings to problems of international importance".

The Institute is supposed to be "insulated from the undesirable intrusion of international political differences". But it is also left wide open to infiltration by the KGB's industrial spies. It provides a perfect cover for men like Dr Belozarov, who are at the same time respected scientists and members of the KGB.

Now that Dr Belozarov's true role as a "Gebist" has been revealed, it is likely that the Austrian authorities will look closely at the activities not only of him but also of the Institute. He may well feel relief at having been "blown" and the game is ended. Certainly Arne is. When the Norwegians took the decision that they could get no more out of it and decided to wrap it up by expelling Besedin, who had taken over Petrov's position as Arne's contact man in Oslo, Arne had had enough.

"It had gone on long enough . . . Too long."

15 MAY 1981



Hold for Report

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MR. ALEXANDER

The Prime Minister may like to read the attached copies of Security Service letters, describing the activities of a KGB agent in the Soviet Embassy and the Security Service's proposals to unmask him and have him declared persona non grata. These proposals have been approved by the Foreign and Commonwealth Secretary.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

17th July, 1981

TOP SECRET