

STATEMENT OF TERENCE CHARLES BYRNE SENIOR
Age of Witness (date of birth) 27th August 1929
Occupation of Witness COMPANY DIRECTOR

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This statement, (consisting of 57 pages each signed by me*), is true to the best of my knowledge and belief and I make it known that, if it is tendered in evidence, I shall be liable to prosecution if I have wilfully stated in it anything which I know to be false or do not believe to be true.

Dated the 18th day of March 1991
Signed Terence C Byrne Sen. Signature witnessed by [Signature]

I am a citizen of the United States and reside in New Jersey. On 27th March 1985 I was appointed a director of a company, Allivane International Limited, registered in 1982 in the United Kingdom as a limited company, company number: 1621896. My son, Terence Charles Byrne Junior was in 1985 both a director and the secretary of Allivane International Limited. It was at his invitation that I became a director of that company, with responsibility for sales. I did not hold any other directorships. However, my experience in administration and knowledge of the policy of the government of the United States in relation to the sale of defence equipment to the Middle East (which was essentially the business of Allivane International Limited) led my son to invite me to join the board of Allivane International Limited.

This is my second witness statement. Its purpose is to expand on and clarify a number of matters referred to in my first statement dated 18th December 1990. These matters relate specifically to the finances of Allivane International Limited between 1983 and 1988, and to the instructions given to me by civil servants at the Ministry of Defence, Board of Trade and the Defence Sales Organisation (DESO) in relation to the company's business with Iran and Iraq during this time.

Signed Terence C Byrne Sen. Signature witnessed by [Signature]

* Delete if not applicable

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In order for me to relate the payments made and received by Allivane International Limited to the sales invoices and contracts dated between March 1985 and June 1988 (the time I was active in company affairs), it is necessary for me to describe in some detail the circumstances which led to the formation of the company.

Allivane Limited and Allivane International Limited were originally set up in 1982 by my son, Terence Charles Byrne Junior, and two of his associates. My son was acting on instructions from William J. Casey, who had been appointed Director of the Central Intelligence Agency in January 1981.

William E. Simon had introduced me to William Casey in 1979. Simon had extensive business interests and was a major contributor to the campaign to nominate Ronald Reagan as the Republican presidential candidate in 1980. At that time, Casey was Ronald Reagan's campaign manager. Both Reagan and Casey were friendly with Simon, and sought his advice on financial matters.

On January 16th 1982, Simon informed me that Casey (who was then still in post at the CIA) and Edwin Meese (a counsellor to the President) had decided on a strategy which entailed the administration would trading with Iran in order to fulfil undertakings given in March 1980. He emphasised that the entire operation was classified and under the control of Casey, who was reporting directly to Meese.

William Simon arranged for my son and I to meet with William Casey on January 19th 1982. William Simon informed me that

Terence C Byrne Snr.

Signed

Signature witnessed by

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the purpose of the meeting was for Casey to give the picture of "the ultimate covert operation." He emphasised that it was already underway and must always remain classified. William Simon stated that we could assist the administration and that William Casey believed we had the necessary experience for a role in this operation, which was essential to the security of the United States.

The meeting on January 19th lasted for two hours. William Casey provided details of how certain consignments would be supplied to Iran via the United Kingdom. He explained that this would entail setting up companies to handle the purchase and freight of ammunition and equipment for contracts that would be arranged and financed by the United Kingdom administration.

After the meeting with Casey I consulted William Simon, who asked me to meet him on January 24th. He brought Richard V. Allen to the meeting. Allen, although not a member of the National Security Council, was then the administration's foremost expert on foreign affairs and reported directly to Edwin Meese. Simon informed me that William Casey, at the time (1980) he was managing the campaign to elect Ronald Reagan as President had negotiated secret terms for the release of the 52 American hostages from our embassy in Teheran.

Simon emphasised two points. First, that in January 1981, William French Smith, the Attorney General, had been consulted regarding how the terms of Casey's agreement could be honoured within the constraints imposed by the law of the

Signed Terence C Byrne Snr. Signature witnessed by John Walker

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United States. Second, that the terms negotiated by William Casey were classified, would remain classified, and were entirely separate from the agreement reached by the Carter administration through the mediation of the Algerian government.

Casey knew Mohammed Hashemi, an Iranian politician who opposed Shah Mohammed Reza Pahlavi and played an important role in bringing Ayatollah Ruhollah Khomeini to power in Iran. By 1978 the Carter administration had reduced its support for Shah Pahlavi, and the situation deteriorated to the extent that the Iranians closed down a number of American businesses in Iran, and seized their assets. The computer installations of Electronic Data Systems Corporation, owned by H. Ross Perot, were particularly badly affected. Perot's employees were arrested and imprisoned in Iran.

Casey's view was that the Carter administration had reduced support for Shah Pahlavi because of the repressive nature of his regime. As a result by 1978 Persia had become isolated internationally: Shah Pahlavi was being criticised for his methods in controlling internal dissent and his country's economy was deteriorating rapidly.

President Carter exercised strong control over his administration. Unlike most presidents, he was reluctant have advisers formulating summaries designed to form the basis of an executive decision. President Reagan, however, tended to work in exactly the opposite way. He relied on a few trusted aides to produce summaries and advise him on the

Signed Terence C Byrne Snr Signature witnessed by Ken Walker

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appropriate course of action. President Carter received detailed and wide-ranging briefings on Persia. He decided to reduce financial support for Shah Pahlavi's regime until certain reforms were instigated. When they were not forthcoming, and American interests were at risk, he decided that he had to act, both to stabilise Persia (where a civil war was imminent) and protect the economic interests of the United States.

The National Security Council was monitoring the situation in Iran throughout 1978. Shah Pahlavi had received CIA support since he came to power. This support was not only financial, but included military assistance. The CIA organised the training of the Shah Pahlavi's internal security force (SAVAK) by Israel. In June 1978 the National Security Council received a report from the Defence Intelligence Agency that Shah Pahlavi should as a matter of urgency be deposed and replaced with a stable government favourably inclined towards the United States. The State Department identified the Ayatollah Ruhollah Khomeini as the only candidate who had enough popular support in Iran to overthrow Shah Pahlavi.

Mohammed Hashemi was leader of the Iranian National Party. He and other members of the Iranian National Party had been active in opposing Shah Pahlavi. Hashemi had been imprisoned for two years and tortured. In 1976 Hashemi had been contacted by the CIA, and this contact was still active. It was also significant that Hashemi had supported the Ayatollah Khomeini throughout his exile, had family connections with him, and was a member of his inner circle.

Signed

Terence C Byrne Snr.

Signature witnessed by

Lee Weller

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Against this background the Carter administration channelled money and material to those supporting Ayatollah Khomeini. As a result in 1979 there was a revolution. After elite army units failed to oppose the revolution, Shah Pahlavi went into exile and Ayatollah Khomeini formed a government. Hashemi was appointed a minister in it. I have no doubt that the support of the United States greatly contributed to the Ayatollah Khomeini's accession to power.

William Simon surmised, correctly in my opinion, that the United States was instrumental in overthrowing Shah Pahlavi. Despite this support, however, the popular uprising in Iran led to the Iranian Revolutionary Guard invading the United States embassy in Teheran on November 4th 1979, and taking 52 embassy staff hostage. Under the direction of President Carter, the State Department responded by attempting to negotiate the release of these hostages. When these negotiations were unsuccessful, the State Department in Washington acted on a suggestion from the Defence Intelligence Agency that Iraq should be secretly encouraged and supported in invading Iran.

The President of Iraq, Saddam Hussein (a dictator) was strongly pro American, and claimed territory occupied by Iran. In return for financial and logistical support from the United States, Saddam launched an attack on Iran. On September 22nd 1980, Iraq started the invasion. Ostensibly the dispute was over navigation rights in the Shatt al Arab, an estuary forming part of the border between the two countries.

Signed Terence C Byrne Snr. Signature witnessed by [Signature]

The view of the Carter administration was that Iran, at the point of economic collapse and facing a war with Iraq, would agree to release the hostages from the embassy if the United States interceded with Iraq and brought pressure to bear for a ceasefire.

However, the planning of these events occurred in 1980 before the presidential election. William Casey, who was organising Ronald Reagan's campaign, had contacts in the Pentagon and Defence Intelligence Agency. Casey was kept informed of the exact proposals being put forward to solve the crisis in Iran, including every detail of the secret negotiations with Iraq. In turn Casey informed Hashemi. Casey negotiated with Hashemi, who was not only a long-standing associate of Ayatollah Khomeini, but was one of his advisers on defence policy.

Over a period of only three weeks, Casey and Hashemi formulated an agreement guaranteeing that Ayatollah Khomeini would not release the hostages to the Carter administration. The agreement on Casey's side entailed sabotaging any attempt, whether diplomatic or military, to rescue the hostages, by providing Hashemi with prior knowledge of any proposed action. The Iranians undertook to release the hostages after Ronald Reagan became President. The United States would in return then sell Iran defence equipment, including huge quantities of ammunition, long-range artillery and electronics.

The time set for the release of the hostages from the United States embassy in Teheran was noon on January 20th 1981, the

Signed Terence C Byrne Snr. Signature witnessed by [Signature]

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moment Ronald Reagan became President of the United States. In fact they left Teheran at 12.35 pm, a few minutes after his inauguration. The former President, Jimmy Carter, was persuaded to travel to a base at Frankfurt to greet the released embassy personnel on their arrival from Teheran. This gave Carter credit for negotiating the release of the hostages through the intercession of the government of Algeria.

On February 20th, the minutes of a Cabinet meeting (which Edwin Meese, James A. Baker III and Michael K. Deaver also attended) indicate that Meese opposed the terms agreed by Carter, advising President Reagan to publically abrogate that agreement.

Meese's opposition was strange because William Casey and Richard Allen, appointed by President Reagan as foreign policy advisers, had informed him that none of the details of the terms conceded by President Carter were known at that time. In fact, Casey, on instructions from Meese, had been in contact with the Iranians and knew exactly what Carter proposed. Carter had in effect been outbid by Meese.

I am not able to confirm or deny whether Ronald Reagan knew personally the exact nature of the undertakings given by William Casey and Edwin Meese for Mohammed Hashemi to convey to Ayatollah Khomeini. However, I can from my own knowledge confirm that William Casey and William Simon agreed terms with Iran that the 52 hostages would not be released until Ronald Reagan was President.

Terence C Byrne Snr.

Signed

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In my opinion Carter's inability to secure the release of the embassy personnel seriously damaged his credibility during the presidential election. It had a major impact. William Casey, managing Ronald Reagan's campaign, put across the message that if Reagan was President he would not allow the United States to be humiliated in this way.

The most devastating blow to Carter's campaign took place on April 25th 1980. Carter personally authorised American Special Forces (the Delta Force) to rescue the hostages. The mission involved flying troops into Iran using helicopters and C130 Hercules transport aircraft. A helicopter collision led to troops being killed, after which the mission was aborted.

I have heard from a number of sources that the mechanical failure leading to the this collision was not accidental. The Iranian photographs of our dead American soldiers made effective propaganda, greatly damaging Carter's reputation.

Immediately Ronald Reagan became President of the United States, William Casey was appointed Director of the CIA in order to implement the agreement and supply Iran with defence equipment. In order to achieve this, companies were set up in Europe and the Middle East, in particular Israel. Allivane and Allivane International Limited were only two of more than one hundred and twenty companies which to my knowledge were set up in Europe with the sole objective of supplying Iran and Iraq with ammunition and equipment from Europe. I should make it clear that some of these companies

Terence C Byrne Snr.

Signed

Signature witnessed by

John Walker

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were formed to facilitate the financial operation. Others, such as Allivane International Limited, supplied the goods.

The export regulations in force in the United States were stringent. Most defence equipment could not be lawfully supplied to Iran or Iraq. Most important, the regulations could not be broken without a large number of personnel becoming aware of what was happening.

The position in the United Kingdom was completely different. Every type of equipment, including ammunition, could be shipped legitimately to destinations using end-user certificates supplied by the Ministry of Defence. On arrival at the declared destination, the equipment would be secretly transported onward, for example to Iran. I should explain that, secretly, the policy of the United States was to supply both Iraq and Iran in an even-handed way. Iraq received bank loans in order to purchase ammunition through countries such as Jordan or Saudi Arabia. The arrangements made to supply Iran were more complex and I shall refer to them in detail below.

However, the specific objective with regard to Allivane International Limited was that these companies would enter into contracts with the procurement departments in the countries supplying Iran and Iraq. These contracts entailed the supply from the United Kingdom of every type of defence material, including ammunition, radar, artillery and chemical and biological filling for shells.

Terence C Byrne Snr.

Signed Signature witnessed by

John W. Walker

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On 10 November 1986 a newspaper, Al Shirra in Beirut, published a comprehensive report identifying Robert McFarlane (serving as an assistant in the White House) as having travelled to Teheran and arranged to supply the Iranian Defence Industries with ammunition and spares for combat aircraft.

By 13 November the media in the United States had published details of how the United States had been supplying Iran through Denmark, Israel and the Phillipines. Undeniably the supply of this equipment to Iran was contrary to the embargo imposed by the United States on selling any military equipment to Iran. However, the advice of the Attorney General was that no federal law had been violated.

By the beginning of September 1986 it became evident to all those managing this operation that it was only a matter of time before the news of the shipments to Iran reached the media in the United States. The information had travelled from Iran and was then being reported widely in the Middle East.

In the United States the operation to supply Iran was being co-ordinated by a group within the National Security Council. On 16 September I was informed by a member of that group that the operation would continue in Europe, and would not be affected by these disclosures relating to McFarlane and Lieutenant Colonel Oliver North, who was at that time Deputy Director of Political-Military Affairs at the National Security Council.

Signed Terence C Byrne Snr. Signature witnessed by Joe Walker

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Allivane International Limited was supplying ammunition and equipment to both Iran and Iraq. Although the involvement of the United States in supplying Iran had made news, there were no references at that time to how the United States was supplying Iraq. The belief of the group at the National Security Council who were controlling the operation is that the United Kingdom government had built a firewall which would protect all of us from the really damaging disclosures, even if it became known that ammunition had been shipped from the United Kingdom to Iran and Iraq.

Allivane International Limited had been shipping defence equipment to Iran and Iraq since 1982. These shipments reached a peak in January 1987. However, the method by which payment was made by Iraq made it necessary for a high proportion of the contracts to remain secret. Two problems arose as a result. First, the goods being shipped to Iraq had to be supplied and financed through a secret list controlled by the Ministry of Defence. Second, as a result the actual turnover of Allivane International Limited greatly exceeded that disclosed on its annual returns. This subterfuge was exposed on 22 September 1988 by the publication of a report by the Economic Investigation Department in The Hague. The exposure led to Allivane International Limited being shut down.

The report set out the evidence provided by a director, Joost de Graaf, of Muiden Chemie a company registered in The Netherlands. Joost de Graaf disclosed details of the secret contracts between Allivane International Limited and Muiden

Signed Terence C Byrne Snr. Signature witnessed by Dee W Keller

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Chemie to supply explosives to Allivane. These explosives were used to manufacture base-bleed ammunition.

The manufacture was undertaken secretly by Astra Defence Systems. Although Allivane had contracts with Astra Defence Systems, most orders were filled secretly by Ministry of Defence personnel (Mr James Taylor and General Donald Isles) under conditions where no formal contract existed. After 1984, the Assistant Director, James Taylor, at the Procurement Department in the Ministry of Defence organised the scheme whereby Allivane would obtain the explosives from Muiden Chemie, and that General Donald Isles at Astra Defence Systems would supervise the secret manufacture of the ammunition. This was then shipped secretly, on contracts obtained by Allivane International Limited using false end user certification, and was eventually delivered to Iraq.

By June 1988, it became clear to me that the Ministry of Defence was aware that a report by the Economic Investigation Department in The Hague would contain significant disclosures which would expose this operation and their role in it. The Ministry of Defence then took steps to close down Allivane and Allivane International Limited. The offices of Allivane International Limited had been searched by Customs and Excise in November 1987, at the request of the National Police Force of The Netherlands.

Every document relating to the business between Allivane International Limited and Astra Defence Systems was confiscated. The documents clearly implicate those personnel employed by the Ministry of Defence who organised

Signed Terence C Byrne Snr. Signature witnessed by John W. Kelly

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were incorporated in base-bleed ammunition manufactured to fulfil the contracts entered into by Allivane International Limited.

The manufacture of this ammunition was undertaken in the United Kingdom by Astra Defence Systems. Although Allivane International Limited (AIL) had contracts with Astra Defence Systems for which there existed invoices and company records, most of the work undertaken for AIL were filled secretly by Ministry of Defence personnel (Mr James Taylor and General Donald Isles) under conditions where no formal contract was disclosed.

After 1984, the Assistant Director, James Taylor, at the Procurement Department in the Ministry of Defence organised the scheme whereby Allivane would obtain the explosives from Muiden Chemie, with General Donald Isles at Astra Defence Systems supervising the manufacture of the ammunition. This was on instructions from the Ministry of Defence, without the knowledge of the board of directors of Astra Defence Systems. The ammunition was then shipped secretly, using end user certification provided by Mr Colin Chandler and Mr James Taylor, enabling the consignments to be delivered to Iraq.

By June 1988, it became clear to me that the Ministry of Defence was aware that a report by the Economic Investigation Department in The Hague would contain significant disclosures which would expose this operation and their role in it. The Ministry of Defence then took steps to close down Allivane and Allivane International

Signed

Terence C Byrne Snr.

Signature witnessed by

Alan Walker

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Limited. The offices of Allivane International Limited had been searched by Customs and Excise in November 1987, at the request of the National Police Force of The Netherlands.

Every document in the company office relating to the contracts entered into by Allivane International Limited was confiscated. The documents clearly implicate those personnel employed by the Ministry of Defence who organised the purchase of the explosive from Muiden Chemie, the manufacture of the ammunition and the shipment to Iraq using false end-user certification. However, I held copies of most of these papers, and examples of the major contracts are included in the forty two documents produced with this my second witness statement.

After 1988, when Allivane International Limited ceased to trade effectively, a number of accusations were made against both me and my son, Terence C. Byrne Junior.

One allegation is that my son and I organised part of Iran:Contra from the United Kingdom. This is complete fabrication. As the Sales Director of Allivane International Limited I was responsible for supervising sales and ensuring that the company met its contractual obligations. The contracts were provided by the British Ministry of Defence. My company only ever operated as an intermediary, as I shall describe in more detail below. No money was transferred at any time to the United States, and there was no financial link to any aspect of Iran:Contra.

Terence C Byrne Snr.

John Waller

Signed..... Signature witnessed by.....

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A second allegation is that my son has embezzled money from Allivane Limited and Allivane International Limited. In addition to a salary, my son and I were also paid commissions on a number of contracts. These payments were made by the party placing the contract with us, usually international Military services. I believe my son received no more than two million pounds in total, over a period of five years.

Allivane International Limited, and Allivane Holdings (the financial base in Panama) received contracts which were arranged by James Taylor, who was an Assistant Director at the Department of Defence Procurement. I had meetings with Mr Taylor, and with his superior officers, Mr Gordon Foxley (1982-6), a Director of Defence Procurement with direct responsibility for supplying ammunition to Iran, with Mr Colin Chandler (1985-8), who was Head of Defence Export Sales and Mr Peter Levene (1985-8) who was Chief of Defence Procurement and who arranged the contracts to supply both Iran and Iraq.

Over the period 1982-8, Allivane International Limited had a sales turnover in excess of of £1.4 billion sterling in supplying Iran, and £3.6 billion sterling in supplying Iraq. Although the sums may appear large, it is necessary to bear in mind that Allivane International Limited operated solely in an intermediary capacity. Although Allivane International Limited was a party to the contract, this was a convenient way of obtaining defence equipment from a major supplier in the United Kingdom, such as British Aerospace, Royal Ordnance, ISC Ferranti, Astra Defence Systems, Smiths

Signed

Terence C Byrne Snr.

Signature witnessed by

John Walker

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Avionics, etc., and arranging its onward shipment to Iran or Iraq.

Such contracts were delivered to Allivane International Limited by Mr James Taylor, who worked closely with me. The contracts were drawn up by Mr Colin Chandler. They entailed Allivane International Limited entering into a contract to supply ammunition or equipment to a procurement office in another country. In most cases the end-user certificate was provided by Mr Taylor, who was in contact with Mr Chandler.

The Board of Trade or Midland Bank's Industrial Trade Services then provided the export credit, after the Ministry of Defence and Foreign Office had authorised the export licence for the equipment on the basis of the end-user certificate that they had provided. These end-user certificates were to a range of countries. Large consignments of ammunition were repeatedly certified as being delivered to Spain, Portugal, Saudi Arabia, Jordan, but in fact went to Iraq.

I can document one consignment of three large flasks of radioactive caesium was sent to Denmark from where it was exported to Portugal and onwards via Cyprus and Israel to Iran. A comprehensive set of contracts, end user certificates and invoices is described below and relates to the documents produced with this witness statement.

From my experience I consider there are three reasons why the lines of supply to Iran and Iraq were through companies, such as Allivane International Limited, which were set up in

Signed *Terence C Byrne Snr.*

Signature witnessed by *Alan Walker*

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the United Kingdom. These reasons relate to the administrative, political and financial advantages offered by a company exporting from the United Kingdom.

First, every export sale of defence equipment by such a company is controlled by one or more government agencies. The Defence Export Sales Organisation (DESO) has to authorise the sale. This agency (linked to the Ministry of Defence), consults the Board of Trade and British Foreign Office, who submit their separate recommendations to DESO.

Within the United Kingdom such government agencies control and organise every stage of the export of defence equipment. They control the companies manufacturing any form of defence equipment, from ammunition to the most advanced types of electronics.

Once a contract is officially secret, the officials of the agency and the employees of the manufacturer preserve that secrecy, which for them is absolutely routine. This is because the law of the United Kingdom requires only that the government should authorise the export. After that requirement has been met, the violation of an existing law does not enter consideration. Such a state of affairs contrasts completely with the situation prevailing in the United States. There, federal law relating to defence exports is specific. An employee who becomes aware of any contravention would know of it and would probably feel obliged to report it.

Signed Terence C Byrne Snr. Signature witnessed by John Waller

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A second reason is that the United Kingdom cannot operate independently of the United States in any large-scale conflict. This is primarily because all the input of strategic military intelligence to the United Kingdom is from the defence agencies of the United States. The United Kingdom is overwhelmingly dependent on the United States for intelligence of this sort, and is completely dependent in relation to electronic surveillance, satellite reconnaissance and signal decoding.

It is because the United Kingdom has such a dependency on the United States that ensures, for all practical purposes, the United Kingdom has no option other than to operate in accord with the wishes of the United States administration. Although the United Kingdom operates in tandem with the United States, the relationship is not a partnership. The United Kingdom must comply with the decisions of the our administration.

One example is as follows. The United Kingdom deploys Polaris missiles carrying multiple warheads and launched from a nuclear-powered submarine. The missiles have launch codes which ensure the warhead cannot be armed unless the authority to do so is given by the President of the United States. An American officer then has to enter the Polaris code before the missile is armed and launched. The Royal Navy cannot launch atomic weapons independently of the United States. Even the targeting of the Polaris warheads is determined by the strategic considerations of the United States.

Signed

Terence C Byrne Snr.

Signature witnessed by

John Walker

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In my opinion the United Kingdom, to a greater extent than any other country in Europe, has become dependent on the United States. Our Defence Intelligence Agency and CIA now operate in the United Kingdom with the knowledge and consent of that country's government. No other country outside the United States is now so effectively under the control of these agencies.

A third reason for setting up Allivane International Limited concerns how payments were made for the ammunition and equipment being shipped to Iran and Iraq. Mr Taylor and Mr Chandler at the Ministry of Defence gave specific instructions as to drawing up the contracts between Allivane International Limited and foreign procurement offices (Saudi Arabia, etc). However, these contracts were for orders really negotiated by and placed with International Military Services by the government of Iraq.

International Military Services is itself a government agency. When I became Sales Director of Allivane International Limited in March 1985, I was telephoned by Sir John Cuckney, who represented International Military Services. I researched this organisation, which was set up in 1974. Its main business was supplying Iran with ammunition from the Royal Ordnance, and with military equipment manufactured in the United Kingdom by companies such as Vickers.

During our meeting Sir John Cuckney informed me that International Military Services would be placing orders with Allivane International Limited for large consignments of

Signed

Terence C Byrne Snr

Signature witnessed by

John Walker

ammunition and a wide range of equipment. Some ammunition would be manufactured in the United Kingdom by the Royal Ordnance and Astra Defence Systems, and would be exported exactly as set out in the contract, but to a proxy end user. It was made clear to me that the manufacture, storage and shipment would be the responsibility of Ministry of Defence personnel, including Mr Taylor, acting on behalf of Allivane International Limited. Allivane International Limited would handle the paperwork. The end-user certificates, export licences, and shipment routes were also organised by Mr Taylor and his colleagues.

Although International Military Services had a contract to supply the equipment, they would not be referred to on the paperwork. All the financial arrangements were through an organisation called the Defence Equipment Finance Department of Midland Industrial Trade Services.

I determined that this had been created in 1982. Sir John Cuckney told me that he had set up the Defence Equipment Finance Department. In answer to my question, he explicitly stated that the policy devised by William J. Casey involved the Defence Equipment Finance Department. Sir John Cuckney stated it had been set up specifically to organise payment for equipment being supplied to Iran. He also explained that International Military Services was now increasingly involved with Iraq.

In 1986 Sir John Cuckney contacted me from Midland Industrial Trade Services, where his associates arranged all the payment details appertaining to our major contracts.

Signed *Terence C Byrne Snr.* Signature witnessed by *John Cuckney*

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I now produce as document TCB 1 two letters, dated 21 May 1984 and 18 July 1984, respectively, from Mr James Blythe Head of Defence Sales at the Ministry of Defence to Terence C. Byrne Junior of Allivane International Limited at 92 Horseferry Road, London S.W.1, referring to a proposed contract to supply 155mm ammunition to Singapore. The letters demonstrate that the contract is being arranged by International Military Services.

I now produce as document TCB 2 the entire contract referred to above and dated 26 September 1984.

I now produce as document TCB 3 a letter from International Military Services stating the reference number of the contract dated 26 September 1984 giving details of the orders placed with the Royal Ordnance in relation to this contract produced as document TCB 2.

I now produce as document TCB 4 a letter dated 15 October 1984 from the Head of Iranian Defence Industries referring to the contract produced as document TCB 2, requesting clarification of certain technical matters.

I now produce as document TCB 5 a set of invoices for the sum of £17,300,000 relating to the contract produced as document TCB 2.

I now produce as document TCB 6 the notification from the Royal Ordnance of the delivery to Allivane of the ammunition as stated in the contract produced as document TCB 2.

Signed *Terence C Byrne Snr.*

Signature witnessed by *Alan Waller*