

MSGNO 29 (MIIR) RSB \*18/05/88\* \*04:26\*  
ZCZC 09:24:54Z (MI)

~~SECRET~~

88 8954771 MSR

TOR: 180604Z MAY 88

NC 8954771  
RUEKJCS 7571

RR RUEAIIA  
DE RUEKJCS #/571 1390E01  
ZNY ~~55555~~  
R 180601Z MAY 88  
FM JCS WASHINGTON DC  
INFO RUEADWD/OCSA WASHINGTON DC  
RUENAAA/CNO WASHINGTON DC  
RUEAHQA/CSAF WASHINGTON DC// (b)(3):50 USC 403-1(i)

(b)(3):50 USC 403-1(i)  
RUEAHQA/CSAF WASHINGTON DC// (b)(3):50 USC 403-1(i) //  
RUEAIIA/CIA WASHINGTON DC  
RUEHC /SECSTATE WASHINGTON DC  
RUEAMCC/CMC CC WASHINGTON DC  
RUETIAH/DIRNSA FT GEORGE G MEADE MD  
RUEACMC/CMC WASHINGTON DC  
RUCJAAA/USCINCSOC MACDILL AFB FL// (b)(3):50 USC 403-1(i)  
RUCJACC/USCINCCENT MACDILL AFB FL

(b)(3):50 USC 403-1(i) //

RUEALGX/SAFE

(b)(3):50 USC 403-1(i)

R 180555Z MAY 88

FM (b)(3):10 USC 424  
TO RUEKJCS/DIA WASHDC  
INFO RUHQHQA/CINCPAC HONOLULU HI// (b)(3):50 USC 403-1(i)

(b)(3):10 USC 424  
RUCJACC/USCINCCENT MACDILL AFB

BT

EZ1:

~~SECRET~~ COMPLET 01 OF 02 (b)(3):10 USC 424

~~SECRET / NOFORN / NO CONTRACT~~

EZ2:

SERIAL: (U) IIR (b)(3):10 USC 424

PASS: (U) (b)(3):10 USC 424, (b)(3):50 USC 403-1(i)

COUNTRY: (U) CHINA (CH); IRAN (IR).

SUBJECT: IIR (b)(3):10 USC 424 / ARMS SALES APPROVAL (U)

WARNING: (U) THIS IS AN INFORMATION REPORT, NOT  
FINALLY EVALUATED INTELLIGENCE. REPORT CLASSIFIED

~~SECRET -- NOFORN -- NO CONTRACT.~~

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DEPARTMENT OF DEFENSE  
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DOI: (U) 880500

REQS: (U) (b)(3):10 USC 424

SOURCE: (U) (b)(3):10 USC 424, (b)(3):50 USC 403-1(i)

SUMMARY: ~~(S/NF/NC)~~ THIS IIR PROVIDES (b)(1).1.4 (e)  
INSIGHTS INTO HOW APPROVAL FOR A PRC ARMS SALE IS  
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OBTAINED. (b)(1),1.4 (c) ALSO NOTES CHINA'S ATTEMPTS TO  
INFLUENCE IRAN'S USE OF THE SILKWORM AGAINST U.S.  
WARSHIPS.

1. (S/NF/NC) (b)(1),(b)(3):10 USC 424,1.4 (c) TO DESCRIBE WHAT (b)(1),1.4 (c)  
KNEW OF THE APPROVAL PROCESS FOR THE SALE OF PRC MILITARY  
EQUIPMENT. (b)(1),1.4 (c) HAS CONTINUOUS CONTACT WITH THE  
MACAU BASED POLYTECHNOLOGIES REPRESENTATIVES AND WAS  
ABLE TO PROVIDE SOME INSIGHT TO THE APPROVAL PROCESS  
(b)(3):10 USC -- ALL INFORMATION SHOULD BE CONSIDERED AS  
SECOND OR THIRD HAND AS IT IS DOUBTFUL (b)(1),1.4 (c) COULD HAVE  
DIRECT KNOWLEDGE OF THE ACTUAL APPROVAL PROCESS).

- THE POLY REP OBTAINS THE END USER CERTIFICATE  
(EUC) FROM THE PROSPECTIVE BUYER AS THE FIRST STEP  
BEFORE MAKING CONTACT WITH BEIJING. ONCE THE LOCAL  
POLY REP HAS THE EUC, HE NORMALLY MAKES A TRIP TO  
BEIJING FOR INITIAL CONSULTATIONS WITH THE HEAD OFFICE  
OF POLY.

- IF THE EUC IS CONSIDERED VALID (b)(3):10 USC 424 AT  
LEAST PROVIDES PLAUSIBLE DENIAL) AND THE INITIAL  
FINANCIAL AGREEMENTS HAVE BEEN REACHED, (OPENING  
LETTER OF CREDIT/POSTING PERFORMANCE BOND) THE  
BUYER IS INVITED TO BEIJING FOR A VISIT TO THE  
ARMORY WHERE THE BUYER IS GIVEN THE OPPORTUNITY TO  
TEST THE MERCHANDISE.

- IF THE BUYER AGREES TO THE PURCHASE, POLY SENDS  
A LETTER OF REQUEST TO THE GENERAL STAFF DEPARTMENT  
EQUIPMENT SUBDEPARTMENT FOR RELEASE OF THE EQUIPMENT  
FOR SALE.

- WHEN THE LETTER FROM POLY IS RECEIVED BY THE  
GSD, ((HE)) PENGFEI IS FACED WITH THE REQUIREMENT TO  
OBTAIN CMC APPROVAL. (b)(1),1.4 (c) THE  
DECISION TO INVOLVE THE FOREIGN MINISTRY IS MADE  
ONLY IF THE WEAPONS ARE OFFENSIVE AND/OR ARE BEING  
INTRODUCED TO A QUOTE HOT AREA END QUOTE.

- IF THE WEAPONS ARE BEING SOLD TO AREAS WHICH  
ARE NOT CONSIDERED SENSITIVE, THE APPROVAL IS GRANTED  
BY THE CMC ( ) THAT THIS IS THE PARTY COMMITTEE  
RATHER THAN THE STATE CMC). IF THE SALE INVOLVES A  
SENSITIVE AREA, THE SALE MUST BE APPROVED BY THE CMC  
IN CONSULTATION WITH A REPRESENTATIVE OF THE FOREIGN  
MINISTRY. (b)(1),1.4 (c) THAT THERE HAVE BEEN CASES  
WHERE THE FINAL APPROVAL WAS MADE AT THE NPC.

(b)(1),(b)(3):10 USC 424,1.4 (c) IS PROBABLY REFERRING TO STATE  
COUNCIL).

- ONCE APPROVAL FOR THE SALE IS OBTAINED, THE  
FACTORY OR ARMORY IS NOTIFIED TO MANUFACTURE OR  
DELIVER THE WEAPONS TO THE PORT OR AIRFIELD FOR  
SHIPMENT TO THE BUYER.

2. (S/NF/NC) (b)(1),1.4 (c) THAT THE APPROVAL FOR  
THE SALE OF THE HY-2 ANTISHIP MISSILES WAS MADE  
WITHOUT A REPRESENTATIVE OF THE FOREIGN MINISTRY.  
(b)(1),1.4 (c) THAT THE PRC CONSIDERED THE HY-2  
A DEFENSIVE SYSTEM AND DID NOT BELIEVE THAT THE  
IRAN-IRAQ WAR WAS A PARTICULARLY SENSITIVE ISSUE  
GIVEN THE FACT THAT IT HAD BEEN GOING ON FOR THE  
PREVIOUS FIVE YEARS. REGARDING PRESENT U.S.  
END OF MESSAGE

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(b)(3):10  
USC 424

MSGNO 29 (MIIR) RSB \*18/05/88\* \*04:26\*

\*\*\*\*\* SECTION 2 \*\*\*\*\*

SERIAL: (U) IIR (b)(3):10 USC 424

PASS: (U) (b)(3):10 USC 424,(b)(3):50 USC 403-1(i)

COUNTRY: (U) CHINA (CH); IRAN (IR).  
SUBJECT: IIR (b)(3):10 USC 424 ARMS SALES APPROVAL (U)

SENSITIVITIES TO THE PRC ARMS SALES TO THE MIDDLE  
EAST, (b)(1),1.4 (c) THAT HIS POLYTECHNOLOGIES CONTACTS  
HAVE TOLD HIM THAT CHINA HAS INFORMED IRAN THAT SHOULD  
IRAN FIRE A SILKWORM MISSILE AT A U.S. WARSHIP,  
CHINA WILL DISCONTINUE THE SHIPMENT OF ALL SPARE PARTS  
AND SUSPEND ALL CONTRACTS WITH IRAN. (b)(1),1.4 (c)  
THAT THE CHINESE HAVE BEEN TOLD BY U.S. OFFICIALS  
THAT IF A CHINESE SILKWORM HITS A U.S. WARSHIP, ALL  
RELEASE OF TECHNOLOGY FROM THE U.S. WOULD BE  
IMMEDIATELY HALTED.

COMMENTS: 1. (S/NF/NC) (b)(1),(b)(3):10 USC 424,1.4 (c)

//IPSP: (U) (b)(3):10 USC 424

//COMSOBJ: (U)

PROJ: (U)

COLL: (U) (b)(3):10 USC 424

INSTR: (U)

PREP: (U) (b)(3):10 USC 424,(b)(3):50 USC 403-1(i)

ACQ: (U)

DISSEM: (U)

WARNING: REPORT CLASSIFIED ~~SECRET~~

~~NOT RELEASABLE TO FOREIGN NATIONALS~~

~~NOT RELEASABLE TO CONTRACTORS/CONSULTANTS.~~

DECL: OADR

END OF MESSAGE

~~SECRET~~

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