COUNTRY: (U) EGYPT (EG); IRAN (IR); CHINA (CH).
SUBJ: IIR (b)(3)(B) USC 424 | CHINA DENIES REPORTED ARMS DEAL WITH IRAN (U).
WARNING: (U) THIS IS AN INFORMATION REPORT, NOT FINALLY EVALUATED INTELLIGENCE. REPORT CLASSIFIED --

DEPARTMENT OF DEFENSE

SUMMARY: CHINA DENIES THE NEWS OF AN ARMS DEAL TO PROVIDE IRAN WITH MILITARY AIRCRAFT, 40 ANTI-SHIP MISSILES, ONE SUBMARINE, SCUD MISSILES, AND ANTI-AIRCRAFT MISSILE BATTERIES.

A. CHINA'S DENIAL OF HAVING AGREED WITH IRAN ON A NEW ARMS DEAL COMES WITHIN THE FRAMEWORK OF HER KEENNESS TO
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KEEP HER INTERNATIONAL AND REGIONAL STATUS UNSCATCHED,
AND TO ENSURE THE CONTINUITY OF OBTAINING AMERICAN AND
WESTERN TECHNOLOGY (CHINA IS BEING PRESSSED BY THE U.S.
AND EUROPE TO CURB COOPERATION WITH IRAN IN THE AREA OF
ARMAMENTS).

HOWEVER, THIS DOES NOT AGREE WITH WHAT IS BEING OBSERVED
OF INCREASING IRANIAN-CHINESE COOPERATION IN VARIOUS
FIELDS (POLITICAL - ECONOMIC - MILITARY) ESPECIALLY
FOLLOWING THE CEASEFIRE.

B. IT IS WORTH POINTING OUT THAT THE CURRENT IRANIAN -
CHINESE RELATIONS DEVELOPMENT WAS MEANT TO ACHIEVE A
NUMBER OF GOALS FOR BOTH SIDES, THE MOST PROMINENT ARE:
(1) FOR IRAN:
(A) TO BALANCE HER RELATIONS WITH CHINA IN THE FACE OF
THE GULF STATES' INCREASING COOPERATION WITH CHINA
(THE SAUDI MISSILE DEAL).
(B) ATTACHING CHINA TO THE IRANIAN ECONOMY (RECONSTRUC-
TION) WHICH MAY PROMPT CHINA TO BACK IRAN UP POLITICALLY
AND MATERIALLY.
(C) THE LOW PRICED CHINESE ARMS, DESPITE THE FACT THAT
CHINA DOES NOT SET CERTAIN POLITICAL DEMANDS ON SELLING
HER ARMS.
(2) FOR CHINA:
(A) REINFORCING HER REGIONAL POWER AND HER INFLUENCE IN
THE REGION TO BALANCE SOVIET INFLUENCE.
(B) INVESTING WAR INVESTMENTS AND ECONOMIC PROJECTS TO
SUPPORT THE CHINESE ECONOMY.
(C) ENSURING A CHINESE PRESENCE FOR MAINTENANCE AND
TRAINING ON THE NEW ARMS.
(D) BUNDLING THE IRANIAN ARMS SYSTEM WITH CHINESE ARMS
FOR MANY COMING YEARS WHICH CONSOLIDATES CHINA'S STATUS
AS AN ARMS EXPORTER (THE FOURTH THIRD-WORLD ARMS
EXPORTER).

C. FOLLOWING IS A REVIEW OF THE MOST PROMINENT FIELDS
OF IRAN-CHINA COOPERATION OBSERVED SINCE THE 20 AUG 88
CEASEFIRE.
(1) POLITICAL: AGREEMENT ON OPENING UP AN IRANIAN
CONSULATE IN CANTON AND A CHINESE CONSULATE IN BANDAR
ABBAS IN FEB 89. (ONE OF THE RESULTS OF THE IRANIAN
FOREIGN MINISTER'S VISIT TO CHINA ON 15 DEC 88).
(2) ECONOMIC:
(A) SINGING AN INDUSTRIAL COOPERATION AGREEMENT BETWEEN
CHINA AND IRAN ON 5 NOV 89 DURING THE VISIT OF THE
CHINESE DEPUTY MINISTER OF INDUSTRY TO IRAN.
(B) INCREASING THE VOLUME OF TRADE EXCHANGE BETWEEN THE
TWO COUNTRIES BY 100 MILLION DOLLARS DURING 1989 TO
REACH 600 MILLION DOLLARS (THE VISIT BY THE CHINESE
DEPUTY PRIMEIR TO IRAN ON 5 JAN 89).
(C) TECHNICAL ASSISTANCE TO BUILD A DAM IN SOUTHERN
KHOZISTAN.
(D) PARTICIPATION IN IRAN'S POST WAR RECONSTRUCTION
(THERE IS NEWS OF 25 THOUSAND CHINESE WORKERS AND
TECHNICIANS BEING PRESENT IN IRAN CURRENTLY).

END OF MESSAGE
CONFIDENTIAL

<<<SECTION 2 >>>

COUNTRY: (U) EGYPT (EG); IRAN (IR); CHINA (CH).
SUBJ: IIR/RGOY10 USC 424
CHINA DENIES REPORTED ARMS
COOPERATION IN BUILDING TWO POWER GENERATING PLANTS
IN KARMAN AND GILAN PROVINCES.
COOPERATION IN THE NUCLEAR FIELD (IT MAY BE USED TO
DEVELOP CAPABILITIES FOR MANUFACTURING NUCLEAR WEAPONS).

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(3) MILITARY:
(A) A NEW ARMS DEAL COMPOSED OF ANTI-SHIP MISSILES VIA
NORTH KOREA (12 LAUNCHERS AND 80 MISSILES).
(B) A CONTRACT FOR SELLING 200 PIECES OF ARTILLERY
(MLRS).
(C) FIFTY EACH M-59 TANKS.
(D) ANTI-AIRCRAFT MISSILES AND 50 RADAR STATIONS.
(4) SATELLITES/LAUNCH TECHNOLOGY:
(A) COOPERATION TO LAUNCH AN IRANIAN COMMUNICATIONS
SATELLITE CARRIED BY A CHINESE ROCKET.
(B) ON THE INVITATION FROM CHINA, IRANIAN
REPRESENTATIVES WERE PRESENT DURING THE CHINESE TV
COMMUNICATIONS SATELLITE LAUNCH ON 22 DEC 88.
COMMENTS:  

//IPSP: (U)  
//COMSOBJ:  
//PROJ: (U)  
//PREP: (U)  
ACQ: (U)  
DISSEMM: (U)  
FIELD: (b)(3):10 USC 424  
WARNING: (U)  
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