SERIAL: DIADIN 243-6A

SUBJ: CHINA-IRAN: ARMS SALES. (U)

TEXT: 1. CHINESE ARMS COMPANIES ARE USING THIRD-COUNTRY INTERMEDIARIES TO CONTINUE NEGOTIATING SALES OF MILITARY EQUIPMENT, INCLUDING SILKWORM MISSILES, WITH IRAN.

2. THE COMPANY WHICH PRODUCES THE MISSILES IS ALSO OFFERING TECHNICAL MATERIALS AND TRAINING SESSIONS.

3. (SECRET) COMMENT: BEIJING IS STILL HIGHLY CONCERNED ABOUT INTERNATIONAL CRITICISM OF ITS ARMS SALES TO PERSIAN GULF BELLIGERENTS. NONETHELESS, CHINA HAS APPARENTLY DECIDED TO ALLOW ITS MILITARY TRADING COMPANIES TO RESUME NEGOTIATIONS FOR NEW WEAPONS SALES. CHINA PROBABLY PUT A HOLD ON NEW CONTRACTS DURING JULY WHILE REASSESSING ITS ARMS POLICY, BUT NEGOTIATIONS FOR NEW SALES RESUMED IN AUGUST.