U NC I M I R 02/03/91 04:18

PP: RUEAIA
DE: RUEKCS
#4518 0870727

P: 271730Z MAR 91
FM: DIA WASHINGTON DC/DA//
TO: RUEKCS/Joint Staff Washington DC
RUEJACC/USCENTCOM Rear MacDill AFB FL
RUEQQA7/USCINC PAC HONOLULU HI
RUETIAA/DIRNSA FT GEORGE G MEADE MD
RUEHC/SECSTATE WASHINGTON DC
RUEAIA/CIA WASHINGTON DC
RUCNFBI/FBI WASHINGTON DC

(b)(3):10 USC 424

E21:

SERIAL: "(U) IIR"

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

SUBJECT: IIR (b)(3):10 USC 424 NORIN GROUP, NORINCO AND CHINESE ARMS SALES (U)

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

Department of Defense

DOI: (U) 840101-910322
REG: (b)(3):10 USC 424

SOURCE: (b)(3) 10 USC 424

SUMMARY: (b)(3) 10 USC 424.14 (c)

1. THE DIFFERENCE BETWEEN THE CHINA NORTH INDUSTRIES GROUP (THE NORIN GROUP: ZHONGGUO BEIFANG GONGYE JITUAN) AND THE CHINA NORTH INDUSTRIES COMPANY (NORINCO: ZHONGGUO BEIFANG GONGYE GONGSE)

IS AS FOLLOWS: THE NORIN GROUP IS A MINISTERIAL-LEVEL ORGANIZATION DIRECTLY SUBORDINATE TO THE STATE COUNCIL. IN 1988 THE MINISTRY OF ORDNANCE INDUSTRY (MO1), MINISTRY OF ELECTRONICS INDUSTRY (ME1), AND MINISTRY OF MACHINE BUILDING (MMB) WERE MERGED TO CREATE THE MINISTRY OF
MACHINE BUILDING AND ELECTRONICS INDUSTRY (MBEI) AS PART OF THE GENERAL STREAMLINING OF STATE ORGANIZATIONS. STATE COUNCILOR ((ZOU)) JIAHUA WHO WAS A CLASSMATE OF PREMIER ((LI)) PENG IN THE SOVIET UNION WHEN THEY WERE BOTH YOUNG (NFI) REALIZED THE LATTER TO MERGE THESE THREE MINISTRIES IN AN EFFORT TO EXPAND HIS CONTROL. HOWEVER, WITHIN A RELATIVELY SHORT TIME PERIOD (NFI) IT BECAME OBVIOUS THAT THE NEW AMBEI WAS UNABLE TO COPE EFFECTIVELY WITH ITS MANY NEW AREAS OF RESPONSIBILITY, ESPECIALLY IN HANDLING ARMS PRODUCTION. FORMERLY THE RESPONSIBILITY OF MOI, CONSEQUENTLY THE NORIN GROUP WAS CREATED IN LATE 1986 TO TAKE OVER THE OLD MOI RESPONSIBILITY.

2. THE NORIN GROUP ORGANIZATION STRUCTURE IS IDENTICAL TO THAT OF THE OLD MOI, AND AS A MINISTERIAL-LEVEL ORGANIZATION ANSWERS DIRECTLY TO THE STATE COUNCIL. THE OLD TERM "MINISTRY OF ORDINANCE INDUSTRY" WAS NOT RESURRECTED BECAUSE IT WOULD HAVE CAUSED A "ANA TO FACE IN HAVING TO ADMIT THE FAILURE OF HIS PLAN. SINCE THE OLD MOI WAS COMPOSED MOSTLY OF NORINCO OWNED OR MANAGED FACTORIES, THE NAME NSORIN GROUP WAS ADOPTED. NOIN GROUP HAS A CORPORATE HEADQUARTERS OF ABOUT 300 PEOPLE, WITH SEVEN OR EIGHT DEPARTMENTS, INCLUDING PRODUCTION, RESEARCH & DEVELOPMENT, SALES & MARKETING. THE PRESIDENT OF THE NORIN GROUP IS ((LAI)) JINLIE WHO HOLDS A MINISTERIAL-LEVEL POSITION AND REPORTS DIRECTLY TO THE STATE COUNCIL THROUGH ZOU JIAHUA. THERE ARE FOUR VICE PRESIDENTS (VP) PRESIDED OVER BY ((ZHANG)) JUNJU, WHO IS THE EXECUTIVE VICE PRESIDENT, TWO OF THE OTHER THREE VP'S ARE ((WANG)) DECHEN AND ((YU)) GUICHEN. IN ADDITION THERE IS A SENIOR CONSULTANT, ((TIAN)) RUZHIANG, WHO SITS AT THE VP LEVEL BUT IS NOT REALLY A VP (NFI). THE NORIN GROUP IS SUBORDINATE TO BOTH THE STATE COUNCIL AND THE COMMISSION ON SCIENCE, TECHNOLOGY & INDUSTRY FOR NATIONAL DEFENSE (COSTIND). THE GROUP ANSWERS TO THE STATE COUNCIL FOR ADMINISTRATIVE AND BUDGETARY MATTERS, AND TO COSTIND FOR RESEARCH & DEVELOPMENT, SALES, AND PRODUCTION MATTERS. IT CONDUCTS NO BUSINESS OF ITS OWN AND PRODUCES NOTHING IN ITS OWN RIGHT, FUNCTIONING STRICTLY AS AN ADMINISTRATIVE CLEARING HOUSE.

3. NORINCO, THE COMPANY, FALLS UNDER NORIN GROUP HEADQUARTERS. AS NO NORINCO'S FACTORIES AND RESEARCH INSTITUTES AND ALL OF NORINCO'S FRONT COMPANIES' JOINT VENTURES AND FOREIGN SUBSIDIARIES, NORINCO EXISTS AS A SEPARATE ENTITY UNDER THE NORIN GROUP AND HANDLES ALL BUSINESS TRANSACTIONS, PRODUCTION, SALES, AND RESEARCH AND DEVELOPMENT. THE CURRENT PRESIDENT OF NORINCO IS ((WANG)) LIANSHENG WHO REPLACED ((ZOU)) PEIDE IN NOVEMBER 1990. WANG LIANSHENG MADE HIS NAME AS AN EXPERT ON THE DEVELOPMENT AND PRODUCTION OF ARTILLERY IN THE OLD MOI, AND HIS SELECTION AS NORINCO PRESIDENT UNDERSCORES THE IMPORTANCE OF CONVENTIONAL ORDINANCE TO THE COMPANY. ZOU PEIDE WAS PUNISHED BY BEING "KICKED UPSTAIRS" TO THE SALES & MARKETING DEPARTMENT OF THE NORIN GROUP WHERE HE HAS NO REAL POWER OR AUTHORITY AND BECAUSE HE IS POLITICALLY Tainted NO ONE WILL DEAL WITH HIM. IN ADDITION ZOU PEIDE DID NOT GET ALONG WITH LAI JINLIE, NORIN GROUP'S PRESIDENT, WHO REGARDED ZOU AS A THREAT TO HIS OWN AMBITIONS TO ATTAIN THE NORIN GROUP PRESIDENCY AND MINISTER STATUS. BY KEEPING ZOU IN THE NORIN GROUP STAFF HEADQUARTERS ZOU HAS BEEN NEUTRALIZED EFFECTIVELY UNDER LAI'S CONTROL.


5. OTHER MINISTERIAL LEVEL COMPANIES--IN ADDITION TO THE NORIN GROUP, THE FOLLOWING DEFENSE INDUSTRY COMPANIES ARE AT THE

THE SMALL ARMS SALES COORDINATION COMMITTEE, WHICH MANAGES ALL FOREIGN ARMS SALES, IS CHAIRED BY LIU HUAI (CHUHAI) VICE CHAIRMAN OF THE MILITARY COMMISSION (MC) OF THE CHINESE COMMUNIST PARTY. IT INCLUDES REPRESENTATIVES FROM COSTIND, NORMALLY (DING) HENGGAO, THE MINISTRY OF FOREIGN AFFAIRS (MFA), POLYTECHNOLOGIES, AND THE SEVEN MINISTERIAL-LEVEL DEFENSE INDUSTRIES COMPANIES. THE NORIN GROUP, CNEIC, CIEC, CSTC, CATIC, CMIEC, AND CPMEC/GWIC. THE COMMITTEE MEETS ON A REGULAR BASIS. DING HENGGAO, THE DIRECTOR OF COSTIND, IS THE FOCAL POINT OF THE COMMITTEE. DING WILL CALL THE COMMITTEE INTO SESSION BASED UPON A DIRECTIVE FROM LIU HUAI (ACTING FOR THE MC) OR AS A RESULT OF AN INITIATIVE FROM BELOW (A COMPANY HAS A POTENTIAL SALE). A COMPANY PROPOSING AN ARMS SALE TO A FOREIGN COUNTRY MUST CLEAR THE PROPOSAL THROUGH HENGGAO. IF THERE IS NO APPARENT PROBLEM WITH THE SALE, SUCH AS A SENSITIVE FOREIGN POLICY IMPLICATION OR PRODUCTION ISSUE, DING HENGGAO HAS THE AUTHORITY TO APPROVE THE PROPOSAL FOR THE COMPANY INVOLVED. WITH NOTICE GIVEN TO LIU HUAI, IF DING HENGGAO PERCEIVES A POTENTIAL PROBLEM WITH THE PROPOSED SALE, HE WILL CALL THE COMMITTEE INTO SESSION TO DISCUSS IT. SINCE THERE IS NO STANDING LIST OF MUNITIONS WHICH MAY NOT BE SOLD TO CERTAIN FOREIGN COUNTRIES, CHINA'S ARMS SALES POLICY AT ANY GIVEN TIME IS DETERMINED BY "CHANGING INTERNATIONAL AND ECONOMIC CONDITIONS." DING HENGGAO IS PRIVY TO THE TOP LEADERSHIP'S LATEST THINKING AND ON THAT BASIS MAKES A DETERMINATION TO CALL THE COMMITTEE INTO SESSION. IF THE PROPOSAL INVOLVES FOREIGN POLICY SENSITIVITIES, THE MFA REPRESENTATIVE WILL OUTLINE THE IMPLICATIONS OF THE SALE, BUT DOES NOT MAKE THE FINAL DETERMINATION. ALTHOUGH MFA REPS ARE USUALLY "RIGID" IN THEIR OPINIONS, IF THE COMPANY PROPOSING THE SALE CAN CONVINCE LIU HUAI THAT THE USE OF FALSE END USER CERTIFICATES AND THE ABSENCE OF MARKINGS ON THE WEAPONS WILL PROVIDE SUFFICIENT PLAUISIBLE DENIAL, THEN LIU CAN OVERRIDE THE CONCERNS OF THE MFA REP. IF LIU STILL HAS MISGIVINGS, HE CAN EITHER DISAPPROVE THE SALE OR BRING THE ISSUE UP TO THE TOP FOR FURTHER DISCUSSION. IN SENSITIVE CASES GREAT CARE WILL BE TAKEN TO INSURE THAT THERE ARE NO CHINESE CHARACTERS OR FACTORY MARKINGS ON THE PRODUCT TRACEABLE TO CHINA. DEPENDING ON THE CASE, THE COMMITTEE ALSO DETERMINES WHICH COMPANY IS BETTER SUITED TO COMPLETE A DEAL. FOR EXAMPLE, POLYTECHNOLOGIES HAS BETTER ACCESS TO A FOREIGN GOVERNMENT FOR THE PURPOSE OF SELLING AN ARMS SALE THAN A COMPANY SUCH AS NORINCO, THEN THE COMMITTEE WILL TASK POLY TO CONTINUE TO ACT ON BEHALF OF THE
CHINESE DEFENSE INDUSTRIAL COMPLEX. POLY WILL GET A PERCENTAGE OF THE PROFITS FOR FINDING THE OPPORTUNITY BUT MAY NOT NECESSARILY BE THE ONLY COMPANY INVOLVED IN THE DEAL. IN CASES OF GOVERNMENT-TO-GOVERNMENT WEAPONS SALES, THE SAME COORDINATION COMMITTEE WILL BE CALLED INTO SESSION TO DETERMINE WHO IS BEST TO MEET THE ORDER. A SALE OF OFF-THE-SHELF ITEMS FOR EXAMPLE MAY REQUIRE THE EQUIPMENT SUBDEPARTMENT OF THE GENERAL STAFF DEPARTMENT TO COORDINATE WITH NORINCO COMPANY TO MODIFY A SYSTEM TO MEET THE SPECIFICATIONS REQUIRED BY THE FOREIGN BUYER. ALTHOUGH DING HENGGAO SERVES AS THE FOCAL POINT FOR THE COORDINATION COMMITTEE, HE HAS CHANGED (RE-) PLEDGE TO THE DIRECTOR OF THE EQUIPMENT SUBDEPARTMENT (ESD) OF THE PLA GENERAL STAFF, TO PROVIDE THE NECESSARY STAFF WITHIN THE ESD TO HANDLE THE COMMITTEE'S ADMINISTRATIVE WORK ON HIS BEHALF.

/ THE DISTRIBUTION OF PROFITS FROM SALES MADE BY ANY CHINESE DEFENSE INDUSTRIAL COMPANY IS PREDETERMINED, WITH 20 TO 30 PERCENT GOING DIRECTLY TO COSTINO, WHICH USES THE MONIES TO FURTHER R&D FOR THE CHINESE MILITARY. DEFENSE-RELATED COMPANIES TRANSFER THE MONEY FROM THEIR OWN ACCOUNTS TO THE ACCOUNT OF XINSHIDAII, COSTINO'S UMBRELLA CORPORATION, WHOSE ONLY FUNCTION IS TO MANAGE THE MONIES MADE BY THE OTHER DEFENSE RELATED COMPANIES. ALTHOUGH MANY PRODUCTS CARRY THE XINSHIDAII LABEL, IT PRODUCES NOTHING. XINSHIDAII IS ALSO USED AS A CORPORATE FRONT TO GIVE FOREIGN COMPANIES THE ILLUSION THAT THEY ARE NOT REALLY DEALING WITH OR CONTRIBUTING DIRECTLY TO THE CHINESE MILITARY INDUSTRIAL COMPLEX.

/ FOREIGN TECHNOLOGY ACQUISITION CONTINUES TO BE ACTIVELY PURSUED BY CHINA'S DEFENSE INDUSTRIES. THEY ACTIVELY SEEK FOREIGN TECHNOLOGY TO ENHANCE CHINA'S OWN DEFENSE POSTURE AND TO ENABLE DEFENSE INDUSTRIES TO SELL ITEMS ABROAD WHICH ARE NOT PRODUCED AS A MATTER OF COURSE IN CHINA. IN THE CASE OF NORINCO, ONE OF THE NORINCO RESEARCH INSTITUTES (NFI) HAS A DEPARTMENT CALLED THE INDUSTRIAL INFORMATION DIVISION. THIS ORGANIZATION SCOURS OPEN SOURCE MATERIAL FOR THE LATEST DEVELOPMENTS IN FOREIGN TECHNOLOGY WHICH MIGHT BE OF USE TO CHINA. FOR EXAMPLE, A FEW YEARS BACK NORINCO EXPERIENCED PROBLEMS WITH THE PURITY OF ITS STEEL. THEY WERE ABLE TO LOCATED A U.S. SCIENTIST WHO HAD DEVELOPED A PROCESS FOR "HEATING STEEL WITH OXYGEN" TO REMOVE IMPURITIES. NORINCO INVITED HIM TO CHINA TO DISCUSS HIS METHODS AND WERE ABLE TO GLEAN ENOUGH INFORMATION TO APPLY HIS PROCESS SUCCESSFULLY (NFI). THE SAME METHOD WAS APPLIED TO OBTAIN DR GERALD (BULLI)'S 155 MM ARTILLERY TECHNOLOGY.

/ NORINCO WILL ALSO PURCHASE, LEGALLY OR ILLEGALLY, TECHNOLOGIES IT NEEDS TO MEET A PROPOSED SALE. IN ONE PARTICULAR INSTANCE IN THE MID-1980'S, AN UNNAMED "MOUNTAINOUS" MIDDLE EASTERN COUNTRY DESIRE TO MAKE A LARGE PURCHASE FROM CHINA OF U.S. ARMY 105 MM HOWITZERS, MODIFIED FOR PACK MULE/MAN PACK TRANSPORT. ALTHOUGH CHINA DID NOT PRODUCE THE WEAPON, NORINCO PURSUED THIS LUCRATIVE DEAL BY REQUESTING ASSISTANCE FROM ITS MANY OVERSEAS SUPPLIERS. IN ITS REQUEST FOR ASSISTANCE, NORINCO DID NOT ASK FOR AN ENTIRE HOWITZER, BUT INSTEAD A SPECIFIC COMPONENT FROM EACH SUPPLIER. IN THIS WAY NORINCO WAS ABLE TO SUCCESSFULLY PRODUCE THE HOWITZER WITH LOW VISIBILITY. NORINCO ALSO RECEIVED "MAJOR ASSISTANCE" FROM AN ITALIAN FIRM (NFI) IN THE PRODUCTION OF THE HOWITZER FOR THIS DEAL, IN CASES WHERE AN OVERSEAS SUPPLIER BECOMES "NERVOUS" ABOUT PROVIDING CERTAIN ITEMS, NORINCO SIMPLY DOUBLES THE PRICE IT WILL PAY FOR THE PART, AS AN INCENTIVE. SOURCE JOKED THAT HE OFTEN TOLD HIS SUPPLIERS TO "TAKE IT OR LEAVE IT. YOU WILL EITHER GET RICH OR GET CAUGHT. ITS YOUR CHOICE." WHEN NORINCO ACQUIRES A FOREIGN ARTILLERY PIECE FOR A NEW LINE OF PRODUCTION, THEY ALWAYS ACQUIRE LARGE NUMBERS OF EACH TYPE OF ROUND THE GUN FIRES. THESE ARE THEN USED FOR TESTING AND EVENTUAL PRODUCTION OF THE AMMUNITION TO BE LATER SOLD ALONG WITH THE ARTILLERY PIECE.

/ CHINESE DEFENSE RELATED COMPANIES ENGAGED IN ARMS
SALES OVERSEAS DEPEND UPON MILITARY TRANSPORTATION TO MOVE THEIR PRODUCTS FROM INTERIOR FACTORIES TO TRANSSHIPMENT POINTS. IN CHINA EVERY IMPORTANT RAILHEAD, OVERLAND CONVOY STAGING AREA, AND PORT FACILITY HAS CONTINGENTS OF PEOPLE'S LIBERATION ARMY (PLA) SOLDIERS WHOSE JOB IT IS TO INSURE THAT MILITARY-RELATED SHIPMENTS GET PRIORITY ATTENTION. ARMS APPROVED FOR SALE TO OVERSEAS CUSTOMERS USE THE PLA TRANSPORTATION NETWORK AND REQUIRE PRIOR APPROVAL FROM COSTIND. WITHIN COSTIND, XIAOLIN (STG: 2621/2556/2651) IS THE MAN WHOSE CHOP IS NECESSARY FOR THE REQUIRED SHIPPING DOCUMENTS.

11. VISITING FOREIGN DELEGATIONS ARE KEPT OUT OF VIEW IF A POTENTIALLY SENSITIVE ARMS DEAL IS INVOLVED, AND THEIR MOVEMENTS IN BEIJING ARE RESTRICTED. THEY ARE USUALLY HOUSED IN THE COMPLEX LOCATED IN THE 'FRAGRANT HILLS' (XIANGSHAN) OUTSIDE OF BEIJING. IN THE CASE OF FOREIGN MILITARY VISITORS, UNIFORMS ARE NOT WORN TO KEEP A LOW PROFILE, SO AS NOT TO ALERT THE INTERNATIONAL COMMUNITY.

12. DING HENGGAO CONTROLS A GROUP OF SEVEN OR EIGHT CHINESE INDIVIDUALS WITH PARANORMAL ABILITIES FOR "SPECIAL PROJECTS." SOME ARE QI GONG MASTERS, SOME CAN ALLEVIATE PAIN FROM TUMORUALLY ILL PATIENTS, OTHERS EVIPATE OBJECTS AND READ MINDS. WHEN THE FATHER OF CHINA'S ATOMIC BOMB FELL TERRIBLY ILL A FEW YEARS AGO, CHINA'S TOP LEADERSHIP "ZHONGNANHAI" AUTHORIZED ONE OF THESE PARANORMALS TO ATTEND HIM IN ORDER TO TAKE AWAY HIS PAIN AND ALLOW HIM TO DIE PEACEFULLY, AS A REWARD FOR SERVING HIS COUNTRY. ONE OF THESE INDIVIDUALS ASSISTS STATE PRESIDENT AND MC EXECUTIVE VICE CHAIRMAN (YANG) SHANGKUN WITH HIS QI GONG EXERCISES. AT EXCLUSIVE STATE BANQUETS AT DIAOHUTAI, SOME OF THESE INDIVIDUALS MIGHT BE BROUGHT FORWARD TO AMAZE SPECIAL GUESTS. ON ONE OCCASION A FEW YEARS AGO, (CAO) (NFI), AN IMPORTANT HONG KONG SHIPPING MAGNATE, WAS TREATED TO A PARANORMAL DEMONSTRATION, AND WAS SO AMAZED THAT HE WANTED THE MAN TO COME TO HONG KONG TO ASSIST HIM WITH A PROBLEM. HOWEVER, THESE MEN ARE NOT ALLOWED OUT OF CHINA. CAO WAS STILL SO IMPRESSED THAT HE SENT TO THE MAN A VOLVO 720 LUXURY SEDAN EQUIPPED WITH A CELLULAR PHONE AND TELEVISION WHICH THE MAN STILL DRIVES IN BEIJING TODAY.

13. THE OVERWHELMING VICTORY OF THE ALLIED FORCES IN THE RECENT GULF WAR HAS SHOCKED MANY IN THE CHINESE DEFENSE ESTABLISHMENT AND ERODED THE TIME-HONORED BELIEF THAT "THE WILL OF MAN CAN OVERCOME TECHNOLOGY." THE "OLD MEN" IN ZHONGNANHAI, SUCH AS (WANG) ZHEN, PLA ELDER AND VICE PRESIDENT, ARE STILL TRYING TO COME TO GRIPS WITH THIS. HOWEVER, MORE FORWARD THINKING INDIVIDUALS, SUCH AS LIU HUAIHENG AND (YANG) DEZHAI FORMER CHIEF OF GENERAL STAFF, ARE NOT SURPRISED THAT THE IMPACT OF THE GULF EVENTS IN THE GULF HAS BEEN SIGNIFICANT FOR NORINCO, SINCE MOST OF THE T-69-2 TANKS KILLED BY THE ALLIED FORCES IN IRAQ WERE PRODUCED BY NORINCO. MOREOVER, THESE EXPORT MODELS WERE BETTER THAN THOSE IN THE PLA INVENTORY. ON THE WHOLE, NORINCO REMAINS CONFIDENT THAT THERE WILL ALWAYS BE A MARKET FOR CHINESE ARMS.

14. IRAQ STILL OWES CHINA OVER FIVE BILLION US DOLLARS FOR PREVIOUS ARMS SALES. SHORTLY BEFORE THE GROUND CAMPAIGN STARTED DURING THE RECENT CONFLICT, AN IRAQI DELEGATION (NFI) WENT TO BEIJING TO REQUEST ADDITIONAL ARMS (NFI). CHINA DENIED THE REQUEST NOT ONLY BECAUSE OF THE POLITICAL SENSITIVITIES INVOLVED, BUT ALSO BECAUSE OF BAGHDAD'S OUTSTANDING DEBT. ALTHOUGH THE IRAQIS OFFERED CRUDE OIL SHIPMENTS AS PAYMENT FOR THE OUTSTANDING DEBT, BEIJING REFUSED SINCE IT ALREADY GETS ALL THE FOREIGN CRUDE IT NEEDS FROM OTHER SOURCES. ON THE OTHER HAND, CHINA WILL NOT UNILATERALLY RESUME SALE OF ARMS TO IRAQ IN THE FUTURE. WHEN THE POLITICAL SITUATION STABILIZES.

15. AMONG PLA PERSONALITIES OF NOTE ARE (CHEN) XIAOLU, SON OF THE LATE MARSHALL (CHEN) YI. CHEN XIAOLU WAS PREVIOUSLY AN ATTACHE IN THE UNITED KINGDOM (NFI) AND IS CURRENTLY WITH THE
BEIJING INSTITUTE OF INTERNATIONAL STRATEGIC STUDIES. WHILE IN THE UK, CHEN SPENT A GREAT DEAL OF PERSONAL FUNDS WHILE AN ATTACHE TO ACQUIRE PERSONAL COMPUTERS, AND PARTICULARLY LIKED THE MACKINTOSH. UPON HIS RETURN TO CHINA, CHEN WAS INSTRUMENTAL IN CONVINCING THE HEAD OF CHINESE MILITARY INTELLIGENCE TO MAKE AUTOMATION A PRIORITY. CHEN'S WIFE IS (SUJ) HUINING OF COSTIND'S FOREIGN AFFAIRS BUREAU AND IS THE DAUGHTER OF (SU) YU, FORMER MEMBER OF THE PARTY MILITARY COMMISSION AND A PREVIOUS FIRST POLITICAL COMMISSAR OF THE PLA ACADEMY OF MILITARY SCIENCE. SHE IS RESPONSIBLE FOR ASIANEX, A YEARLY EXPOSITION SPONSORED BY COSTIND TO MARKET CHINESE ARMS. THE MAJORITY OF HER TIME IS SPENT EXPLAINING TO POTENTIAL FOREIGN CLIENTS THAT IT DOES NOT MATTER FROM WHICH DEFENSE COMPANY THEY PURCHASE A WEAPONS SYSTEM, THAT AS LONG AS THE REQUIREMENT IS PASSED TO XINSHIDAI, THIS WILL LOCATE THE APPROPRIATE SUPPLIER.

COMMENTS: 1. (S/P/KN)