SUMMARY: [CLASSIFIED] IRAN MAY HAVE CONCLUDED AN AGREEMENT WITH CHINA RECENTLY TO PURCHASE THREE MORE BATTERIES OF HY-2 (SILKWORM) Missiles AND AN UNIDENTIFIED NUMBER AND TYPE OF ROCKET LAUNCHERS. SIXTY F6/F7 AIRCRAFT ARE YET TO BE DELIVERED TO IRAN FROM A PREVIOUS WEAPONS DEAL.
Iran concluded a three hundred million USD purchase agreement with the PRC within the past two months for three additional batteries of HY-2 silkworm missiles. Iran plans to pay for the arms deal with oil.

2. **(b)(3):10 USC 424** That the arms deal consists of twelve launchers and seventy-two missiles as well as an unknown number and type of rocket launchers. **(b)(1)(B)(ii):10 USC 424** Could not provide additional information on the means, nor dates of delivery.

3. **(b)(1)(B)(ii):10 USC 424** That during the first part of 1986, Iran signed an agreement with China for the delivery of 110 F-6 and F-7 aircraft. Since that time, Iran has received fifty aircraft with sixty more to be delivered.

COMMENTS:  
**(b)(3):10 USC 424** 1. **(b)(1)(B)(ii):10 USC 424** How his information was obtained, it came from a knowledgeable representative from an Eastern bloc country that he believes the information to be very reliable.

2. **(b)(3):10 USC 424** Identified the probable location of a silkworm factory and also reported that a delegation of three Middle Eastern men, unfriendly to the US, were residing in the factory guest house. Further reported that those same three men, believed to be Iranians, were part of a nine-man delegation on a flight from Xi'an to Beijing on 26 Nov 88.

3. **(b)(3):10 USC 424** END OF MESSAGE

**SECTION 2**

**SECRET**

**(b)(3):10 USC 424**

**CHINA (CH) IRAN (IR)**

**THE SINO-IRANIAN**

**PROJ:** **(b)(3):10 USC 424**

**COMSOBJ:** **(b)(3):10 USC 424**

**IPSP:** **(b)(3):10 USC 424**

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