

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 1390601
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.~~

DEPARTMENT OF DEFENSE

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 (c)
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 (b)(1),1.4 (c) 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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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:

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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