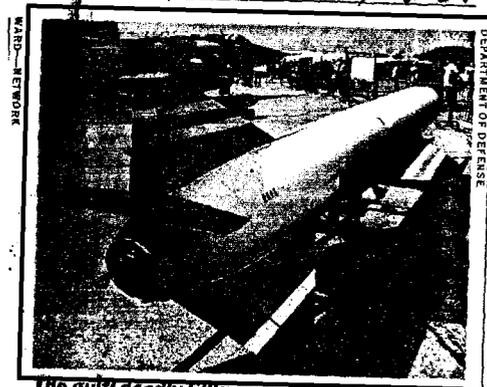


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The gulf: deadly Silkworm on display

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NEWSWEEK - 9 NOV '87

What's the Chinese Word for Chutzpah?

When Iran began launching Silkworm missiles against gulf shipping, the political debris fell half a world away. China makes the mobile, 20-foot Silkworm and peddles it to the ayatollah—much to Washington's outrage. After a series of futile protests to the Chinese government, the Reagan administration has exacted a penalty, postponing trade measures that would have allowed China to buy faster American mainframe computers and more accurate semiconductor equipment. During a visit to Beijing this week, U.S. Under Secretary of State Michael

Armacost will again raise the arms trade with China's leaders. Washington is particularly troubled that the Chinese deny the sales—even when confronted with photographic evidence gleaned from aerial reconnaissance of cargo unloading at the Iranian port of Bandar Abbas. "I don't know the Chinese word for chutzpah, but there must be one, because they sure have it," says one frustrated State Department official.

China's main motive is the old-fashioned one: money. Under Deng Xiaoping's economic reforms, the Chinese government has encouraged the military to help pay its

own way through arms sales abroad. Last year alone, Iranian purchases of missiles and other Chinese weapons totaled \$1 billion. But China has geopolitical reasons as well. In a recent talk with one high-ranking foreign visitor, Deng described Teheran as "gripped with religious fanaticism" and said it was important to "retain the capacity to influence Iran." In particular, China is trying to parry Moscow's latest efforts to court the Teheran mullahs. Beijing seems to covet a power-broker role in the gulf. China's military sells weapons to Iraq too.

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and are petitioning the Government for a larger quota of visas.

THE GULF

Bull Market In Silkworms

For months the Reagan Administration has protested China's role as one of Iran's main arms suppliers, while Beijing has denied the allegation. Last week Administration officials said they have evidence that new Chinese arms shipments, including sophisticated C-801 antiship missiles, have arrived in Tehran since early October. More than 100 new Silkworm missiles, the type that were used in recent attacks on Kuwaiti shipping, are also said to be destined for Iran as part of two arms deals, one for \$1.3 billion in 1983 and another for \$600 million early last year.

A spokesman for the People's Mujahedin, an Iranian resistance group, said last week that China not only continues to sell Silkworms to the Ayatollah Khomeini, but that last year more than 100 Revolutionary Guards and Iranian military men traveled to China for missile training. The spokesman said some of these trainees serve in the 26th Salman Missile Brigade, the unit responsible for the Silkworm attacks on Kuwait launched from the Iranian-occupied Fao peninsula in Iraq.

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