

# China in the Irangate affair: the silk route revisited

by Joseph Brewda

China's sale of dozens of its intermediate-range CSS2 ("East Wind") missiles to Saudi Arabia is but one indication of China's extension of its influence into the Middle East, a relationship that harkens back to the days of China's influence through the "silk route," the trade route that brought Chinese spices, silks, and porcelains from Beijing to the Mediterranean. Today, arms and military goods are the primary commodities China is sending West over the same route.

- Over recent years, China has become the largest arms supplier to the Islamic Republic of Iran and is capturing increasing numbers of its political leaders as assets. China's sale of Silkworm tactical missiles has given Iran a capability in the Persian Gulf it would otherwise lack. Consequently, any effective U.S.-Soviet deal on the Persian Gulf, without Chinese agreement, would be difficult.

- The Chinese agreement to sell the CSS2 to Saudi Arabia reflects China's view that Saudi Arabia will be the predominant Muslim imperial power of the 21st century, with which it must form an understanding. The sales were negotiated during a secret visit by a Saudi prince to Beijing in November 1987, a few weeks prior to the Reagan-Gorbachov "New Yalta" summit. One consequence of the missile deal is that Riyadh is ending its extensive ties with Taiwan, cashing them in for a channel with Beijing.

- An Israeli team visited Beijing concurrent with the Saudi delegation and signed a lucrative contract to provide the People's Republic of China (P.R.C.) with advanced missile guidance systems for the upgrading of the CSS2 missiles sold to Saudi Arabia. Israel, with encouragement from the Irangate protagonists in the United States, including Oliver North, has served as a bridge for Chinese arms to Iran.

These operations place China, especially China's relations with Israel and Iran, right in the middle of the "Trust" nexus that carried out the arms-for-hostages Irangate operations in the United States.

## Retracing the silk route

The silk route was a continent-wide caravan route stretching from Beijing to Antioch, Syria. One branch traversed halfway across China and then down to Rangoon, Burma. Another continued to cut across Soviet Asia, linking up with a route from Nepal, which in turn linked up to Calcutta. A third branch of the route came in from Bombay and Karachi

to the north, across the Khyber Pass into Iran and then Syria.

Today, all of these areas, including Nepal, Pakistan, Iran, and Burma are being diplomatically cultivated by China. The geopolitical drive behind the silk route also helps explain why China views Afghanistan as so important. Before the 1979 Soviet invasion, China's embassy in Kabul was one of its largest in the world, and since 1979, China has been a major supplier to the Afghan mujahideen. Second, Tibet, which the Chinese adamantly claim and occupy as their own territory, is also a strategic linchpin for the domination of Central Asia. Implicit in the silk route's revival, as the map shows, is Chinese penetration into Soviet West Asia. According to Japanese sources, Beijing is attempting to transfer sections of the Chinese population into the underpopulated areas of western China, including Xinkiang, and build up regional trade and penetration operations into Soviet Asia.

Relations with other countries of the Middle East have also improved. China re-established relations with the Syrian Ba'ath Party in June 1986, and sent a delegation to Syria in 1987. Libya is also a focus of diplomatic attention.

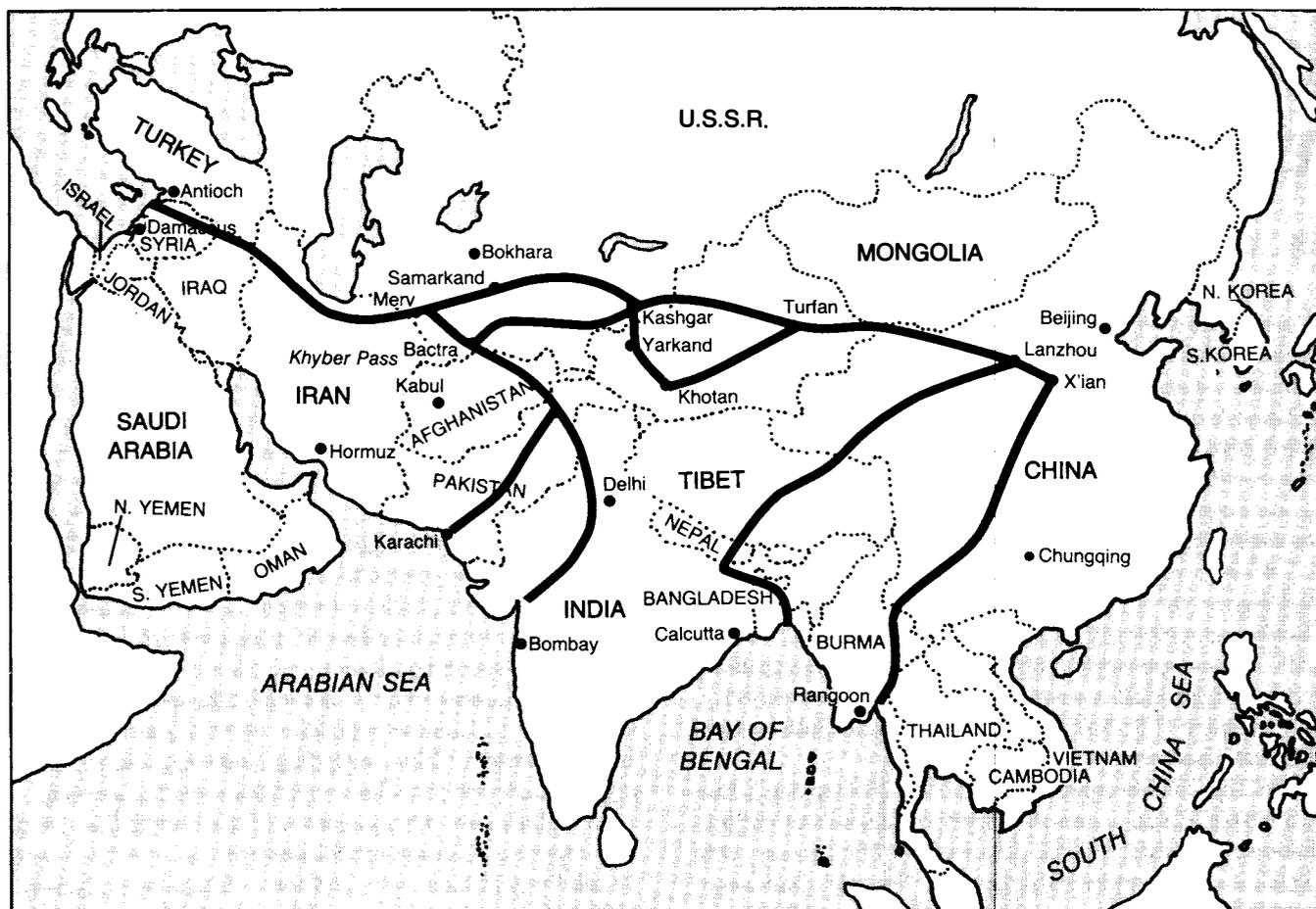
With Afghanistan knocked out of the arena of China's immediate domination, Beijing has targeted the two countries contiguous to it: Pakistan and Iran. China's military ties with Pakistan are extensive, beginning with likely Chinese aid in the creation of the "Islamic bomb." China, not the United States, has been the key sponsor of Islamabad's position on Afghanistan.

Less well known are China's direct government-to-government ties with Iran, which have reached the level of a "special relationship." China no longer requires a visa for visiting Iranian nationals.

Ties with Iran were built up throughout 1987. In February 1987, Iranian Deputy Foreign Minister Larijani went to Beijing as a special envoy, meeting with State Council head and Vice President Wan Li, and also with then-foreign minister We Xueqian. According to the China News Agency, Afghanistan and the Iran-Iraq war were key features of the discussions.

By May, China and Iran were signing extensive trade agreements. These included agreements by which China was to build four military factories in Iran's Kerman region, lease tankers to Iran, and set up joint companies for fishing and oil exploration. China also transferred to Iran the capability to

## The overland silk route



build its own Silkworm missiles. In return, Iran pledged to supply China with 4 million metric tons of oil a year. There was also agreement to launch a Chinese satellite so that Iran could transmit Islamic guidance programs to areas beyond the Gulf. In August 1987, Chinese Commerce Minister Liu Yi arrived in Teheran with a 12-man delegation. The two countries agreed to cooperate in technical and scientific research, manufacture of heavy building machines, electronic industries, and thermal power stations.

Since then, China and Iran have been involved in more extensive personnel and cultural exchanges. According to some reports, there are now 700 Chinese technicians in Iran.

However, China's friendship with Iran has not stopped it from financial deals with its enemies. China has also emerged as a major supplier to Iraq.

China's penetration of Iran may in part be designed to counter the Soviet presence there, and some U.S. sources have gone so far as to assert that the March 8 attack on the Soviet embassy in Teheran may have been orchestrated by elements in the Iranian leadership who lean toward an alliance with China, as opposed to increasing ties with Moscow. The *Washington Times* April 1 speculated that the "Chinese

faction" in Iran is led by Speaker of the House Mousavi Rafsanjani. The cultivation of Iran, the *Times* said, is part of Beijing's efforts to link up with the Islamic world with the design of drawing a "bamboo-Koranic curtain" across Asia.

### Beijing and Ollie North

In late 1984, Lt. Col Oliver North, then one of CIA Director Bill Casey's throw-aways at the National Security Council, was deployed to meet with the Chinese defense attaché in Washington. The subject: a proposal that the Chinese supply arms to the Contras and Iran. Around the time of the meeting, North was sent on a tour of Asia, visiting Singapore, Manila, Jakarta, Hong Kong, and Taipei. According to informed Asian sources, the purpose of the tour was to replace U.S. intelligence in the region with Mossad "proxies," as similarly applied elsewhere.

Within a year of the North tour, Beijing was beginning to open up secret ties with Israel, with Chinese-born Shaul Eisenberg acting as godfather. The stated purpose of an August 1985 trip to Beijing by a delegation from the Israeli agricultural ministry, a political stronghold of Ariel Sharon, was to oversee Chinese "crop development." Within a month

of the delegation's trip, Eisenberg's former Mossad Iranian desk protégé, Reuven Merchav, reopened Israel's consulate in Hong Kong, which had been closed for 10 years.

Simultaneous with these negotiations of semi-official Chinese-Israeli relations, Gen. Jack Singlaub's firm, GeoMiliTech (with offices in Washington, Miami, Tel Aviv, Frankfurt, and Seoul), dispatched a memo to North at the NSC. The Oct. 29, 1985, memo proposed a U.S.-sponsored, three-way arms alliance, between China, Israel, and Iran.

The memo, which was released by the Senate Iran-Contra panel, shows how China has successfully played the "dumb America card."

According to the memo, authored by Singlaub partner Barbara Studley, the proposed three-way alliance was intended to "create a conduit" for funneling weapons to "freedom fighters," bypassing an "increasingly unpredictable and uncooperative" Congress. Studley asserts:

"China is capable of producing an ongoing supply of Soviet-compatible arms. China is, at the same time, trying desperately to upgrade their own military forces and equipment.

"Israel would like to sell to China, but Israel's economy is not capable of supporting long-term credit or barter arrangements. As such, the United States is the key in the successful three-way trade.

"The United States is able to provide Israel with desired high-technology equipment and information."

Singlaub's firm specifies: "Israel receives credit toward the purchase of High Tech from the U.S. Israel delivers military equipment to the P.R.C. P.R.C. delivers arms to be channeled through Trading Company. Trading Company disperses arms to Afghanistan, Angola, Nicaragua, and Cambodia." Iran, the main recipient of the weapons, is discreetly left off the list.

The key to the three-way deal is the Beijing-based Shaul Eisenberg, the patron of every significant Mossad operative active in the weapons trade to Iran exposed in the Iran-Contra affair. This relationship of arms and espionage is key to understanding the relationship of China to such regimes as Iran and Israel, in particular.

An Israeli-Austrian national, Eisenberg was raised in Munich and then pre-war Shanghai, China. It is there that Eisenberg may have been picked up by Soviet intelligence operatives like the Richard Sorge spy network of the 1930s, which operated out of Shanghai with operatives of the Institute for Pacific Relations. Like his sometime-partner Armand Hammer, Eisenberg is best characterized as an operative of "The Trust."

One of the few Jews active in Japan during the war, Eisenberg married the heiress of Japanese Airlines. He later emerged as a top jobber for the U.S. military during the Korean war, in partnership with Britain's Lord Pilkington. In 1968, Israeli Finance Minister Pinchas Sapir decreed the notorious "Eisenberg laws," which offered Eisenberg tax-

free operations in Israel if he would move to that country. Since that time, Eisenberg has spent a few months a year in Israel. His business empire, now legally based in Israel, has vastly expanded.

One of Eisenberg's Israeli protégés is David Kimche, the former Mossad deputy director and foreign ministry director general who oversaw the Israeli side of the Iran sales. When Kimche officially left government in 1987, he went to work for Eisenberg. Other Eisenberg protégés and partners include Yacov Nimrodi, the former Mossad station chief in Iran who ran the Iran-Contra sales under Kimche; Al Schwimmer, the founder of Israeli Aeronautics Industries who oversaw the Iran sales with Nimrodi and Kimche; and Reuven Merchav, another former Mossad station chief in Iran, currently Israel's consul general in Hong Kong. Merchav oversaw the recent Israeli missile technology sales to China. Merchav was appointed to the Hong Kong post at Eisenberg's request.

In December 1978, just two months prior to the Ayatollah Khomeini's declaration of an Islamic Republic of Iran, Eisenberg moved to Beijing, where he has since resided for at least six months a year. In 1979, Eisenberg sponsored the first important Israeli delegation to China, led by then-Foreign Minister Moshe Dayan. Significantly, the delegation also visited Nepal, the Mossad station for the subcontinent, and one of the P.R.C.'s main dope transshipment points. Eisenberg's first major infrastructural development plan in China, announced in 1980, was a \$6 billion coal development scheme for China's southern Yunnan province. China's richest opium-producing region, Yunnan is not noted for its coal. The Yunnan deal was followed by similar deals with China, all involving Eisenberg, and various partners including Armand Hammer and European companies.

Eisenberg is not the only Israeli operative with key links to China. In October 1985, Jonathan Pollard's wife, Anne Henderson Pollard, secured a job at the Chinese embassy in Washington to "teach communication skills." Now imprisoned for Israeli espionage, the Pollards had been caught red-handed at the door of the Israeli embassy in November 1985, with hundreds of classified U.S. documents. Among the papers later found at the Pollards' apartment were lengthy top-secret CIA reports on China. Interestingly, Pollard's father, Dr. Morris Pollard, is one the few foreign members of the Chinese Academy of Sciences.

Through Eisenberg's networks, Israel has emerged as a key trading partner of China, even though there are no diplomatic relations between the two countries. In April, the Israeli paper *Ma'ariv* stated that there is trade in irrigation systems, chemicals, fertilizers, agricultural technology, phosphates, etc. These deals go through Hong Kong, but the Netherlands is also used as a go-between, *Ma'ariv* reported.

But the key deals revolve around arms. In July 1986, the director of Israeli Military Industries (IMI) traveled secretly to China, where it was agreed that the Israelis would develop the Lavi jet in China. The Israelis have reportedly already

given the Chinese the blueprints for the Lavi, the advanced version of the U.S. F-16.

In November 1987, the Israelis clinched their multimillion-dollar deal for the supply of an advanced missile guidance system to China. The deal was made during the Nov. 23 trip to Beijing by five representatives of IMI. The secret visit had been arranged by Israeli Consul General Merchav. The middleman for the deal was Zvi Gafni. A month later, Gafni was arrested by the Hong Kong police for trafficking in heroin.

### **The narco-connection**

China is, and has been, one of the world's largest producers of opium, operating as part of the Golden Triangle production center of Yunnan province in China, northern regions of Burma, northern Thailand, and Laos. Israel has long been the world's most important middleman in the dope trade. This is one of the secrets of the Chinese-Iranian-Israeli combination.

Gafni was arrested on Dec. 19 as he was about to flee to the Portuguese colony of Macao. He had previously been convicted of drug trafficking in Hong Kong in 1984. Asian police sources believe that Gafni's ring does not restrict itself to heroin smuggling, but also deals in Medellín, Colombia cocaine, which it smuggles into the United States through Mexico. Gafni has also been involved in smuggling Western computers to Warsaw Pact countries.

The main front company which Shaul Eisenberg used to set up the recent Israeli-Chinese arms deal is Gafni's Liberian-registered, Hong Kong-based, Dubia. No ordinary firm, Dubia's staff includes the adopted son of a member of the Chinese Communist Party politburo, and a son of another senior Chinese state official. Dubia works particularly closely with the Chinese North Industries Corporation (Norinco), one of China's largest arms producers, and Poly Technologies, Inc., the largest P.R.C. arms firm with family ties to the leadership of the People's Liberation Army.

Intelligence sources stress that China's meager holdings of foreign exchange would be grossly inadequate for the recent multimillion-dollar purchase of Israeli equipment. These sources believe that the purchase is being financed by joint Israeli-Chinese dope sales, or simply by bartering opium products with the Israelis.

Reportedly, the Chinese intend to expand this particular arms-dope connection through the commercial development of Hainan Island in the south, which is slated to be the site of luxury hotels, casinos, and other money-laundering and transshipment facilities. According to sources, China will develop the island in cooperation with the West, in particular with Anna Chennault, widow of famous OSS Gen. Claire Chennault and owner of Flying Tigers airlines. Anna Chennault is also, not coincidentally, the liaison to Beijing for George Bush, the United States' first diplomatic representative to the People's Republic of China.

# **Inside Beijing's Forbidden City**

by Linda de Hoyos

By contrast with the Maoists at Harvard University, the ruling majority of the Chinese leadership has realized that the Maoist years of radical nihilism brought China to near total ruin.

The Great Leap Forward and the communalization process of the 1950s destroyed the fabric of Chinese rural life. The Cultural Revolution of 1966 to 1976 represented not only a xenophobic assault on all forms of Westernization, including science and technology, but was an attack on China's ruling class—the intellectuals who comprised the mandarin scholar-class of the government bureaucracy. A new Chinese study of Mao, "Mao Tse-tung's Thought and the Chinese Cultural Tradition," notes that the Cultural Revolution was in part inspired by Mao's study of ancient Taoism—the nihilistic doctrine traditionally found in the peasant overthrow of dynasties from which the "mandate of heaven" has been withdrawn.

If China is to re-emerge as a world power, such doctrines must be overthrown. The end of ideology and the reassertion of China's historical pragmatism was summed up in Deng Xiao-ping's famous quip, "It doesn't matter if the cat is white or black, as long as it catches mice."

The crux of this turn away from the ideological obsessions of Maoism is the construct, "Socialism with Chinese characteristics." In practical terms, this translates into "socialism"—that is, the retention of power by the Communist Party leadership in Beijing—with "Chinese characteristics"—as much freedom, primarily economic, as will bring back into play the Chinese family's trade and entrepreneurial talents.

### **Revival of the farming family?**

Stephen Mosher's 1982 book *The Broken Earth* graphically described the way in which the standard of living of most Chinese farmers fell drastically during the Maoist years. Whereas in old China, since families always hit upon hard times, each family was permitted as best as it was able to build up a certain surplus in the form of luxury goods or accumulation of land. The Mao years destroyed this familial-based surplus completely. The attempt to give this right back to the farmers—comprising 800 million of China's 1 billion population—is the heart of the reform program.

In 1980, Deng began the process of dismantling the communes, with an eye to ending the dampers placed on China's agricultural productivity. From 1949 to 1956, China had full private ownership of land, when the land seized from the landlords and gentry was divided among farm families. Col-