

Institute for Science and International Security

ISIS REPORT

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State Department Cables: United States Pressures China over Limmt, to No Avail

The Norwegian newspaper, *Aftenposten*, has released a large cache of State Department cables on Iran's illicit procurement activities. Among the cables are several relating to the activities of Limmt Economic and Trade Company, also known as Dalian Sunny Industries and other aliases, a metallurgical company in China now well-known for providing Iranian missile entities with materials and goods usable in ballistic missile production. Limmt was unilaterally sanctioned by the United States in June 2006, and formally indicted for its use of the U.S. financial system to receive payment for goods from Iran by the District Attorney of Manhattan in April 2009. See an ISIS case study of the activities of Limmt here.

These cables show that the United States under both the Bush and Obama administrations sought to pressure China to investigate and stop Limmt's activities. In an effort spanning at least four years, subsequent U.S. officials approached China asking for action to be taken against Limmt. Their frustration at China's reluctance to meet its Missile Technology Control Regime (MTCR) and Nuclear Suppliers Group (NSG) obligations and implement its export controls is evident.

Secretary of State Condoleezza Rice, in a cable dated November 3, 2007, notes that the U.S. government has previously discussed with China on several occasions sales of tungsten-copper alloy plates by Limmt/Dalian Sunny Industries to Iran. The plates could be used in the production of ballistic missile jet vanes and insulators. Rice warns that Iran's Shahid Bagheri Industrial Group (SBIG) could be seeking other avenues to procure these parts in case its routine partner for securing the goods, North Korea, is unable to deliver.

The cable also shows that the highest levels of the U.S. government were engaged in approaching China to halt transshipments and sales of sensitive goods to Iran's ballistic missile program. President Bush spoke with Chinese president Hu at the APEC Summit about the issue. In the cable, Rice asks the U.S. Embassy in Beijing to request that China stop routine transshipments of missile jet vanes from North Korea to Iran, in particular, an imminent transshipment of jet vanes scheduled to leave China's Beijing airport. Rice says that at least 10 shipments, totaling some 40 jet vanes, have already gone to Iran and likely to SBIG. The United States has asked China on previous occasions to monitor and inspect cargo on Iran Air and North Korea's Air Koryo flights passing through Beijing, since it believes regular shipments of jet vanes pass through China on commercial passenger flights from North Korea to Iran. Rice highlights incidents of known and suspected shipments of jet vanes, beginning in 2006.

In a cable dated March 18, 2009, Secretary of State Hillary Clinton asks the U.S. Embassy in Beijing to
discuss and receive updates from Chinese officials on a long list of current and past missile related sales by
Limmt to SBIG. Clinton says the U.S. government first opened discussions with China about Limmt's
activities in February 2006. Clinton notes that Limmt has already provided Iran with tungsten powder,
graphite cylinders, and tungsten copper alloy ingots, some of which are controlled by the MTCR.

In November 2008, the United States informed China that the manager of Limmt, Karl Lee, was planning an October shipment of accelerometers and gyroscopes to SBIG via the Beijing office of Iran's Ministry of Defense and Armed Services Logistics (MODAFL), an entity that has been placed on United Nations sanctions lists due to its illicit procurement activities for Iran's missile and nuclear programs. The United States had evidence that additional monthly shipments were scheduled to provide SBIG with tungsten copper, graphite, and aluminum. Evidence also existed that Limmt was discussing sales of a computer numerically controlled (CNC) flow forming machine that fell under MTCR and NSG designations because it could produce re-entry vehicle shells and solid rocket motor cases for missiles.

Clinton wants to inform China in a demarche that there is now information that, as of late December 2008, Limmt's sales of the goods were still scheduled. The gyroscopes and accelerometers were planned for shipment in January 2009, and Limmt approached a MODAFL official to arrange an Iranian delegation to carry them in travel bags back to Iran. The United States wants China to take action against Limmt and halt its illicit trading activities. Clinton notes that the United States imposed unilateral proliferation and export related sanctions against Limmt in February 2009. (The U.S. Treasury Department enacted financial sanctions in 2006).

- On March 20, 2009, a U.S. official responds in a cable to the State Department that it delivered Clinton's
 message to a Chinese official regarding the proliferation activities of Limmt. The Chinese official responded
 that China would "take necessary measures concerning the information," and asked for more details on
 proliferation related cases. Upon mention of the United States' sanctions against Limmt, the official
 responded that sanctions were not the proper way to solve such issues.
- Secretary of State Clinton, in a July 21, 2009 cable, directs the U.S. Embassy in Beijing to deliver non-paper talking points on the United States' frustration that China has had "little or no response" about the results of its investigations over ongoing proliferation related cases for which the United States has provided detailed information. Clinton wants to reiterate longstanding concerns over Limmt/Dalian Sunny Industries. She indicates that China has told the United States only that its investigations are ongoing and Limmt no longer exists as a business entity.
- Clinton continues to press China on its poor missile related export control record in a cable dated September 18, 2009. She lists some of the reasons for China's weak record in enforcing the MTCR: reliance on foreign-provided info rather than its own enforcement, lack of expectation for firms to know their end-users, a reluctance to enforce catch-all controls even when the end-user is obviously a ballistic missile entity, and insufficient penalties for violators, reflecting an overall lack of political will and a focus on nuclear and biological weapons related export controls over missile controls.

China continues to provide little feedback, as exemplified by one Chinese official's response that "China's business is its own business." In instances where China has assured the U.S. government that it will close down a company, nothing is done in practice, and this is what led the United States to levy its own sanctions against Limmt. The United States will consider that China is serious about enforcement when it launches self-initiated efforts to stop illegal or suspicious shipments rather than relying on outside information, more rigorously implements catch-all controls, and consistently imposes and makes public announcements of penalties against export control violators.

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