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DISPATCH	CLASSIFICATION SECRET	PROCESSING ACTION
TO Chief, China Operations		MARKED FOR INDEXING
INFO Chiefs <input type="checkbox"/> ; Chief, <u>EUR</u> ; <u>WHANA</u> ; <u>WHISI</u> ; <u>FK</u>	<input type="checkbox"/>	NO INDEXING REQUIRED ONLY QUALIFIED DESK CAN JUDGE INDEXING
FROM Chief <input type="checkbox"/>		XX MICROFILM (2)
SUBJECT KOBIRD TPERRY <input type="checkbox"/> <input type="checkbox"/> Dr. Paul YU and the AD-YU Company WC		
ACTION REQUIRED - REFERENCES REFERENCE: DIRECTOR 34037		
<p>1. This case is one on which we have been sitting for some time mainly because it does not seem likely to lead to intelligence benefits for us. <input type="checkbox"/> disinterest probably accounts for the matter being brought up in Washington by <input type="checkbox"/> We had, however, intended to report it routinely.</p> <p>2. <input type="checkbox"/> seems to be the person in SMOTH who is behind it all. He has wanted to interest WOFAC in pursuing around the world various illicit traders and COCOM violators on the theory that if we knew what these persons were doing we could assist in the embargo by preventing the consummation of deals involving strategic items. In view of the 1966 state of affairs in Chinese Communist technology and the Western European and Japanese levels of trade with the Mainland, this seems just a bit like spitting into a hurricane. In addition, <input type="checkbox"/> talks of CE interest in these illicit channels, assuming that the Chinese IS assists in procurement activities. Our review of the <input type="checkbox"/> case does not support this. A more likely explanation seems to us to lie in paragraph three of the reference, which reflects SMOTH long-standing desire to piggy-back into Latin America.</p> <p>3. The information we have which you may or may not want to pass on to other departments is as follows:</p> <p style="margin-left: 40px;">a. Dr. Paul YU (no characters available), born in Canton between 1925 and 1930, is a physicist and president of a company in the U. S. (address unknown) called AD-YU, which manufactures electronic equipment. SMOTH guesses but does not know that YU is an American citizen.</p> <p style="margin-left: 40px;">b. During a visit (presumably during 1965) to Manchester, England, to attend the Electronics Exhibition, HSIA Yun-fu (1115/0336/6346) and LIANG Chih-yuan (2733/2535/8673) asked for the trade catalogues of a</p>		
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FROM REFERENCE TO	DISPATCH SYMBOL AND NUMBER OELA-46281	DATE 16 September 1966 SEP 20 1966
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number of western electronics firms. One of these firms was AD-TV. SMIL and LIAIS are members of the Chinese Commercial Office in London and have displayed knowledge of certain kinds of electronics equipment.

3. SMITH reported on 8 August 1966 that "the Chinese are trying to evade controls by purchasing a quantity of 'hot' items (photo detectors, spectrum analyzers, aluminum plates and film detectors)" from the AD-TV company via an unidentified firm in Paris or Chile. From there they were to be shipped to Hong Kong.

4. On 15 August SMITH advised to the above that the Latin American intermediary was Abraham LEVY of Oquendo, Casilla 85, Barroero, Lima, Peru. The Chinese who facilitated acquisition on the "hot" equipment was Li Yun-shan, WCH representative in Chile, who had been in touch earlier with Frederick SCHWENK of La Breville, S. A.

5. Abraham LEVY has taken over the order for this equipment from La Breville, a firm which worked as agents for STEINER/1 in Hong Kong. LEVY has obtained quotations from AD-TV, has sent these to STEINER/1 in Tokyo, and is now awaiting STEINER/1's reaction.

6. SMITH has a "channel of influence" to LEVY. They request therefore that we take no direct action in Lima, but wish to discuss how best to play the matter.

7. [] called this all over with SMITH last in August with either no result. He told him we would look into the case but made it clear we didn't think SMITH could spend much time or effort on it, especially when the leads were fading out into the very Latin American countries.

8. Then Headquarters heard from SMITH.

9. We intend to listen to SMITH on this subject and will report that they say. It would perhaps be useful for us to pass on to SMITH how your attitude on this general category of activity. If you feel we are overlooking operational benefits, please say so. Otherwise we would like to convey some anti-traffic gold value so that SMITH can go on to more productive work. Please advise.

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