



February 16, 2010

## **Busting the Members at the Core of Iran's Smuggling Networks for Nuclear, Missile, and Conventional Military Goods**

By David Albright, Paul Brannan, and Andrea Scheel Stricker

The Iranian regime often acts as though it has a right to smuggle goods from abroad for its nuclear, missile, and conventional weapons programs. Now that supplier states are increasingly seeking the arrest of its agents, Iran is issuing threats.

Key supplier countries, such as Britain, Germany, Japan, and the United States, have often arrested non-Iranian suppliers and middlemen for illegal exports to Iranian nuclear and military entities. But the Iranians who organize these purchases have often evaded arrest. They act as if they believe themselves above other nations' laws and safely ensconced in Iran. What has changed is that the United States now aggressively seeks to arrest those smugglers as well.

This approach supplements the imposition of United Nations Security Council sanctions on Iranian government entities and officials who lead these military and nuclear projects and create the smuggling operations. U.N. Security Council sanctions have resulted from Iran's refusal to heed calls to suspend its uranium enrichment program and cooperate adequately with the International Atomic Energy Agency.

These actions are complementary. The sanctions block financial assets and the travel of key Iranians. The arrest of Iranians directly tied to smuggling can harm Iranian procurement networks and deter others from pursuing these careers. Adding these smugglers to the U.N. sanctions list could disrupt their operations—unlike many Iranians on the list, these individuals do need to travel and use the international financial system to conduct their business.

### **Smuggling Networks**

Iran is heavily dependent on foreign supply to outfit its nuclear, missile, and conventional military programs. Over three decades, Iran has become quite experienced at smuggling. Disrupting Iran's extensive international smuggling operations requires concerted international cooperation.

Creating overseas shopping lists is the responsibility of procurement organizations within state entities, such as the Defense Industries Organization (DIO), Aerospace Industries Organization, Aircraft Industries Group, Iran Electronics Industries, and the Atomic Energy Organization of Iran. These entities are not likely to procure goods directly from foreign suppliers. Seasoned in exploiting loopholes in national and international trade control laws, Iran's procurement organizations have created networks of domestic and foreign trading companies and agents that seek the necessary goods from abroad.

Iran relies on a range of Iranian middlemen and companies to fill orders from state entities. Often, however, with increased awareness and stronger export controls, these Iranian companies have little

chance of getting sensitive goods from Western suppliers, still the main target for high-technology items. These individuals and companies seek out foreign middlemen, often trading companies, that will approach foreign suppliers. There may be several successive middlemen abroad handling a single procurement—further obscuring from suppliers the actual person or organization behind the procurement. Sometimes, the trading companies know the true end use of the goods; oftentimes, they do not. But most are willing to certify to suppliers that the end user is civilian and an item is not intended for Iran. Dubai, Malaysia, or China are conveniently claimed as the final destinations. Rarely does a supplier have the means to check this claim.

As economic sanctions on Iran have increased and as Iran has created more sophisticated procurement operations, suppliers typically see only these foreign middlemen and a promise that countries like Iran will not receive any goods. It is the foreign middlemen that typically make the purchases, take most of the risks, and serve to shield the inner, Iran-based core from discovery or prosecution. There have been many arrests of these outlying network operatives, and despite how valuable they are in supplying Iran's nuclear, missile, and conventional military programs, Iran has often viewed these operatives as expendable.<sup>1</sup>

A challenge for countries targeted by Iran is to bring to justice members in the core of these networks, namely those based in Iran at government entities, and Iranians directly connected to these entities at domestic companies. To overcome this challenge, the United States has targeted Iranians at the center of Iran's state-directed smuggling operations, particularly those seeking U.S. sensitive military or dual-use equipment. For too long, these Iranians have believed that they are somehow immune from arrest and prosecution overseas for breaking the laws of other countries. But to run their operations, these agents periodically leave Iran, at which point they are vulnerable to arrest.

### **Holding the Inner Core Responsible**

In the last several years, U.S. enforcement agencies working with foreign partners have arrested a range of Iranian smugglers and sought to prosecute them in the United States or abroad. Obtaining extradition and conviction of these smugglers can send a strong signal to Iran about the risks of continuing to run smuggling operations. The outcomes of these cases, however, have not always been successful or are still pending. In some cases, Iranian smugglers arrested abroad have ultimately been released by authorities of those countries, allowing them to return to Iran where they are protected from further foreign prosecution.

ISIS has identified six cases occurring over the last several years in which U.S. actions led to the arrest of Iranians alleged to be in the regime's smuggling core, including former or current members of the Iranian regime involved in smuggling operations. Iran has increasingly sought their release. In addition,

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<sup>1</sup> See the case of Mahmoud Yadegari: "A Smuggler's Procurement of Nuclear Dual-Use Pressure Transducers for Iran," by David Albright, Paul Brannan, and Andrea Scheel, ISIS, July 14, 2009. [http://isis-online.org/uploads/isis-reports/documents/Yadegari\\_Iran\\_illicit\\_trade\\_14July2009\\_1.pdf](http://isis-online.org/uploads/isis-reports/documents/Yadegari_Iran_illicit_trade_14July2009_1.pdf); the case of Mohsen Vanaki: "The Trials of German-Iranian Trader Mohsen Vanaki," by David Albright and Christina Walrond, ISIS, September 16, 2009, rev. October 23, 2009. [http://isis-online.org/uploads/isis-reports/documents/MohsenCaseStudy\\_23Oct2009.pdf](http://isis-online.org/uploads/isis-reports/documents/MohsenCaseStudy_23Oct2009.pdf) and "Decision Reached in Vanaki Case: Landgericht Finds Defendant Guilty, Issues Suspended Sentence," by David Albright and Christina Walrond, ISIS, October 23, 2009. <http://isis-online.org/isis-reports/detail/decision-reached-on-vanaki-case-landgericht-finds-defendant-guilty-issues-s/20>; as well as "Iran's Procurement of U.S. Military Aircraft Parts: Two Case Studies in Illicit Trade (Case 1)," David Albright, Paul Brannan, and Andrea Scheel, ISIS, May 21, 2009. [http://isis-online.org/uploads/isis-reports/documents/Iran\\_Aircraft\\_Procurement.pdf](http://isis-online.org/uploads/isis-reports/documents/Iran_Aircraft_Procurement.pdf)

Iran has tried to barter the release of Americans and other nations' citizens it has seized for the release of these individuals engaged in or allegedly engaged in illicit trade, including illegal nuclear trade.<sup>2</sup>

1) In May 2008, Iranian citizen Amir Hossein Ardebili pleaded guilty in the United States to charges of buying arms equipment for the Iranian Ministry of Defense, including goods usable in Iranian attack aircraft, missiles, and missile guidance and target acquisition systems. He was described as a low-level but prolific smuggler, garnering around \$1 million per year in U.S. military equipment.<sup>3</sup> In 2007, a U.S. sting operation lured him from Iran to Tbilisi, Georgia, where he was arrested and extradited to the United States. He was sentenced to five years in prison.<sup>4</sup>

2) In March 2009, Majid Kakavand, who may have worked as an employee of an oil company in Iran, was arrested in France for allegedly directing a procurement network that sent at least 30 shipments of U.S. electronic equipment usable in military, avionic, and aerospace programs to a freight forwarder in Malaysia, which then re-exported the goods to Iran. Kakavand allegedly operated phony front companies and offices in Malaysia, Singapore, and Iran specifically to procure items (\$1,187,212 worth of U.S. items in less than two years) for state entities that supplied the Iranian Ministry of Defense Armed Forces and Logistics section, Iran Electronics Industry (IEI) and Iran Communications Industries (ICI). Both IEI and ICI are well known as procurers for Iran's military industries. A French court decision over Kakavand's extradition to the United States for trial is slated for mid-February 2009.<sup>5</sup>

3) In March 2009, U.S. authorities arrested Hossein Ali Khoshnevisrad, an Iranian national, during a layover at a U.S. airport for allegedly buying U.S. military aircraft parts illicitly through his Iranian trading company, Ariasa, and an Irish trading company Mac Aviation Group, on behalf of Iran's Aircraft Manufacturing Industrial Company (HESA) and Iran Aircraft Industries (IACI). Khoshnevisrad apparently has been arraigned but not yet tried.<sup>6</sup>

4) In October 2006, British authorities arrested former Iranian ambassador to Jordan, Nosratollah Tajik, at the request of the U.S. government for allegedly assisting in brokering the purchase of U.S.-made military night vision systems for Iran. Tajik allegedly attempted to purchase items from U.S. undercover agents through his British company, and have them sent to Britain or Dubai where they would be diverted to Iran. Tajik allegedly worked with an Iranian employed with the Industrial Automation Group (IAG), located in Iran and working on behalf of Iranian military entities. Britain authorized Tajik's extradition to the United States to stand trial, but Tajik is fighting extradition based on claims of poor health.<sup>7</sup>

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<sup>2</sup> Laura Rozen, "Iran Links U.S. Hikers Case to Detained Iranians," *Politico*, December 9, 2009.

<sup>3</sup> Department of Justice Press Release, "Iranian Arms Procurement Agent to be Sentenced," December 2, 2009.

<sup>4</sup> "Inventive U.S. Sting Operation Catches Iran-Based Military Equipment Smuggler," David Albright, Paul Brannan, and Andrea Scheel Stricker, ISIS, February 16, 2010. <http://isis-online.org/isis-reports/detail/inventive-u.s.-sting-operation-catches-iran-based-military-equipment-smuggl/>

<sup>5</sup> "Middleman Majid Kakavand Arrested for Directing Malaysia-Based Illicit Procurement Scheme," David Albright, Paul Brannan, and Andrea Scheel Stricker, ISIS, February 16, 2010. <http://isis-online.org/isis-reports/detail/middleman-arrested-for-directing-malaysia-based-iranian-illicit-procurement/>

<sup>6</sup> "Iran's Procurement of U.S. Military Aircraft Parts: Two Case Studies in Illicit Trade (Case 2)," David Albright, Paul Brannan, and Andrea Scheel, ISIS, May 21, 2009. [http://isis-online.org/uploads/isis-reports/documents/Iran\\_Aircraft\\_Procurement.pdf](http://isis-online.org/uploads/isis-reports/documents/Iran_Aircraft_Procurement.pdf)

<sup>7</sup> "Former Iranian Ambassador Arrested in Britain for Assisting Iran-Directed Smuggling Scheme," David Albright, Paul Brannan, and Andrea Scheel Stricker, ISIS, February 16, 2010. <http://isis-online.org/isis-reports/detail/former-iranian-ambassador-arrested-in-britain-for-assisting-iran-directed-s/>

5) In January 2010, German authorities arrested Amirhossein Sairafi, an alleged Dubai and Iran-based middleman who transshipped vacuum equipment believed to be for nuclear gas centrifuge plants in Iran. Sairafi allegedly managed a front company out of Dubai and Iran called AVAC to receive U.S.-origin items from a middleman stationed in California. In addition to operating AVAC, Sairafi may have worked as the CEO and director of a company located in Tehran called Command Co., Ltd, a general trading company. He also ordered equipment directly without the use of a foreign middleman. Sairafi's extradition to the United States to stand trial has not yet been decided.<sup>8</sup>

6) In September 2008, Jamshid Ghassemi, a high ranking Iranian air force officer, was arrested in a U.S. sting operation in Thailand for allegedly trying to buy missile guidance systems. A Thai court ordered Ghassemi released after the Iranian government claimed to the Thai government that he was entrapped by U.S. government agents and the United States would torture him to obtain secrets about the Iranian military.<sup>9</sup>

Iran has publicly defended its Iranian smuggling operatives and has used diplomatic channels to attempt to secure their release. Iran claims that the recent U.S. crackdown and arrests are occurring for political reasons and that the United States and its partners are seeking to pressure Iran over matters unrelated to the cases, such as its nuclear program. Iran's foreign ministry has publicly demanded the release of suspected smugglers, even claiming that guilty pleas are signs of mental instability.<sup>10</sup> Iran has apparently retaliated and insinuated that the detainment of British, French, and U.S. prisoners on charges of spying or fomenting political dissent in Iran is linked to arrests of smuggling suspects.<sup>11</sup> It may be seeking to leverage prisoner exchanges by increasing the rate with which it detains foreigners, which it appears to do with little or no basis.

### **Lessons and Observations**

The United States has been willing to exert exceptionally creative means abroad to thwart Iran's illicit procurement operations; other countries should more aggressively join in these efforts. U.S. authorities have painstakingly built their cases against these Iranians, posing as arms salespeople in many cases, and obtained their arrest.

These cases show that good cooperation between the United States and its foreign partners can lead to the arrests and extradition of smuggling suspects. Extradition in these cases, however, is by no means guaranteed. Moreover, extradition remains uncertain for Western prosecutors seeking the arrest of transnational smugglers based outside Iran who are theoretically more vulnerable to prosecution. In several recent cases, the United States has been unsuccessful in obtaining extradition of Irish aircraft

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<sup>8</sup> "Arrest Made in Germany of Core Iranian Procurement Agent," David Albright, Paul Brannan, and Andrea Scheel Stricker, ISIS, February 16, 2010. <http://isis-online.org/isis-reports/detail/arrest-made-in-germany-of-core-iranian-procurement-agent/>

<sup>9</sup> Mark Hosenball and Michael Isikoff, "Administration Frustration," *Newsweek*, October 8, 2008.

<sup>10</sup> "Iran Denounces Trial of National in U.S., Calls it Politically Motivated," *The Tehran Times*, December 9, 2009; "Iran Urges France to Free Engineer Wanted by U.S.," Agence France Presse. January 19, 2010; "Iran Asks U.K. to Release Ex-Diplomat," Iran Press TV. July 23, 2008.

<sup>11</sup> "White House Denies Prisoner Swap Talks with Iran," Agence France Presse. February 2, 2010; "Iran Links U.S. Hikers Case to Detained Iranians," Mark Hosenball, "Is Iran Playing Games with 'Hostages?'" *Newsweek*, December 17, 2009; Angela Doland, "Engineer's Arrest Exposes U.S. Pursuit of Iranians," Associated Press. January 22, 2010; Nasser Karimi, "Iran Says France Using Iranian's Trial to Pressure," Associated Press. January 19, 2010.

part brokers from Mac Aviation Group, alleged Chinese smuggler and money launderer Li Fang Wei, and the major players implicated in the Mayrow procurement network based in Malaysia and Dubai.<sup>12</sup> The reasons for failing to obtain extradition vary, from lack of an extradition treaty in some cases to inadequate coverage of the modern crime of arms trafficking in extradition treaties. In the case of China, the government has also shown little willingness to cooperate.

Iran is expected to continue taking action to defend its procurement agents when they are arrested in the course of their smuggling operations. As seen in the case of Ghassemi in Thailand, judicial systems are vulnerable to Iran's claims and defense of its smugglers.

Iran acts as if violations of other countries' laws are somehow justified, typically claiming that the actions are not illegal in Iran. However, most of the international community clearly recognizes the need for individuals and companies to be held accountable for breaking the laws of foreign countries, and for this reason uses the tool of extradition as a transnational means of enforcing national and international laws. Iran has no right to act as though its citizens are untouchable or exempt from following the laws of other countries.

More needs to be done to deter smuggling and encourage a change in Iran's behavior. The United States is right to seek the arrests of Iranian smugglers whenever it can. It should counteract Iran's defense of its smugglers abroad. But these actions are not enough to guarantee the trial of Iranian smugglers for their crimes, and even less so to deter Iranians from smuggling. Until a common criminalization system based in international law is set up to manage the modern crime of arms smuggling for military, missile, and nuclear programs, authorities will be forced to resort to complicated and potentially futile operations in their attempts to bring Iranian smugglers to justice.

The international community needs a coherent system to deal with issues of prosecuting transnational trafficking and smuggling, gaining extradition, and applying penalties against lawbreakers. Countries need to commit to sharing evidence in transnational cases involving Iranian smugglers, making best efforts to extradite suspects to stand trial and provide needed witnesses, and taking action against Iranian smugglers operating on their territories.

The United Nations Security Council should also broaden its application of sanctions to those who organize and carry out the smuggling of goods to Iran's nuclear, missile, and military entities. To operate, these individuals need to travel and maintain access to the world's financial system. Banning these activities would go a long way in undermining their ability to function.

Countries like Iran may be deterred from their habitual disregard of others' laws if its agents both inside and outside Iran were more routinely subject to sanctions and prosecution using internationally established norms and judicial practices.

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<sup>12</sup> Andrea Scheel Stricker, "Update: Smuggler Previously Convicted of Aircraft Export Control Violations; Disguised Company as Larger Operation" ISIS, October 23, 2009, [http://isis-online.org/uploads/isis-reports/documents/Iran\\_Aircraft\\_Procurement\\_Update\\_23Oct2009.pdf](http://isis-online.org/uploads/isis-reports/documents/Iran_Aircraft_Procurement_Update_23Oct2009.pdf) ; Andrea Scheel Stricker, "A Smuggler's Use of the U.S. Financial System to Receive Illegal Payments from Iran," ISIS, October 23, 2009, [http://isis-online.org/uploads/isis-reports/documents/Limmt\\_Li\\_Fang\\_Wei\\_23Oct2009.pdf](http://isis-online.org/uploads/isis-reports/documents/Limmt_Li_Fang_Wei_23Oct2009.pdf)