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## United States Indicts Man behind Alleged Multi-Million Dollar Iranian Smuggling Network

By Andrea Stricker

On July 21, 2010, a District of Columbia Grand Jury [indicted](#) Milad Jafari, 36, a citizen and resident of Iran, on 11 counts of illegal exports, smuggling, and conspiracy for export violations which included the export and attempted export of specialized metals and alloys usable in ballistic missiles from the United States to Iran via Turkey. The indictment was [publicly announced](#) on February 1, 2011. Milad Jafari is suspected of operating a multi-million dollar procurement network aimed at funneling missile related goods to entities associated with Iran's Aerospace Industries Organization (AIO), sanctioned for its work on ballistic missiles and illicit procurement activities. Many of AIO's affiliates and subordinates are also sanctioned by the United Nations Security Council.

The Jafari network allegedly operated two companies out of Iran and Turkey, using the Turkish company as a front and claimed end-user for goods that were later transshipped to Iran. Jafari operated Macpar Makina San. Ve Ticaret A.S., or "Macpar," and Standart Teknik Parca San. Ve Ticaret A.S., or "STEP." STEP was considered a Turkish business, while Macpar was both Turkish and Iranian. Both companies had locations in Tehran, Iran and Istanbul, Turkey. Four other entities and five individuals, including Jafari's father, mother, brother, and two business associates who operated Macpar in Turkey, were named as part of the network and placed on U.S. sanctions lists, which exclude them from doing commercial and financial business with the United States. Jafari's procurements for entities subordinate to AIO, according to a U.S. Treasury Department [press release](#), netted \$7 million between 2007 and 2008.

### Metals Procured Allegedly for Missiles

The indictment alleges that Jafari's companies, Macpar and STEP, illegally procured goods from the United States for entities in Iran. Some of the goods had missile applications and were sent to entities associated with Iran's ballistic missile program. The transactions the indictment associates with missile applications included an alleged 2007 purchase by STEP of 660 pounds of D6AC steel welding wire, wire with aerospace applications, from a Nevada company on behalf of Sanam Industrial Company. Sanam Industrial Company is sanctioned by the United Nations for its involvement in Iran's nuclear and missile procurement operations. Jafari allegedly listed Macpar as the end-user for the goods in Turkey, which he allegedly later sent to Iran.

In 2007, STEP allegedly purchased 4,410 pounds of 17-7 PH (precipitation hardening) high-grade, temperature resistant steel, which has aerospace applications, from an Ohio company on behalf of Iranian entity Heavy Metals Industries (HMI). In 2007, the German government identified HMI as a possible entity of concern involved in missile procurement. Jafari sent out a request for quote to 13 different companies. He allegedly certified that the goods would not be sent to Iran. U.S. law enforcement authorities detained the shipment before it was sent from Ohio to Turkey.

In 2005, STEP allegedly purchased 3 kilograms of Palnico brazing alloy from a California company on behalf of Sahand Aluminum Parts Industrial Company (SAPICO). SAPICO was sanctioned in June 2010 by the United Nations for serving as a front for Shahid Hemmat Industrial Group (SHIG), which is a subordinate of AIO involved in missile development. In 2006, as he was allegedly negotiating the purchase with the California company, Jafari allegedly requested the name of his company be changed to Macpar, and certified to the company that the goods would not leave Turkey. He allegedly shipped the goods to Iran in January 2007.

The procurements detailed in the U.S. indictment do not cover all of the Jafari network's activities.

### **The Jafari Network's Trail**

The Central Intelligence Agency (CIA) began tracking the Jafari network several years ago. In September 2005, the CIA and the Turkish intelligence agency, National Intelligence Organization (MIT), cooperated on a sting operation to stop the transshipment of dual-use, high strength 7075 T6 aluminum alloy bars, which STEP was shipping from Italy to Iran via Turkey. These bars are controlled by Nuclear Suppliers Group (NSG) guidelines because they could be used for P-1 centrifuge end caps.<sup>1</sup> STEP allegedly arranged the purchase of the goods with an Italian firm, Commerciale Fond, on behalf of Iran's Shadi Oil Industries, which is suspected of fronting for the Iranian nuclear program. According to a report by Italian newspaper *L'Espresso*, the address listed for Shadi Oil Industries in Tehran is actually a grocery store and the company likely does not exist.<sup>2</sup>

Fond procured the aluminum bars it sold to STEP from the Italian distributor for the U.S. aluminum supplier, Alcoa, in 2003. STEP told Alcoa and Fond that the aluminum would be used for making Daimler Chrysler truck parts. STEP allegedly led Italian customs authorities to believe the end-user for the aluminum bars was in Turkey, and when shipping to Iran, the company did not apply for an export license. The CIA and MIT cooperated to stop the shipment before it crossed the Turkish border into Iran. When contacted by the Turkish newspaper *Istanbul Milliyet*, Jafari denied any legal responsibility, referring to himself as a mere middleman.<sup>3</sup> STEP petitioned the Turkish government to release the shipment in a December 28, 2005 fax obtained by *The Washington Post* and shared with ISIS.

A subsequent Italian investigation found that Commerciale Fond sold STEP six tons of aluminum between 2002 and 2005, and that Fond procured the metal from major suppliers' branches located in countries in Europe and Russia. A court case against Fond was dismissed when the company claimed

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<sup>1</sup> "CIA-MIT Said Seize Italian Containers Destined for Iranian Nuclear Program," *Istanbul Milliyet* (translated from Turkish by FBIS from original report by Nedim Sener, "Giant Containers Going to Iran Stopped Due to Nuclear Suspicions"), February 10, 2006.

<sup>2</sup> Gianluca Di Feo and Stefania Maurizi, "Iran: The Atomic Path," *L'Espresso*, December 28, 2006.

<sup>3</sup> "CIA-MIT Said Seize Italian Containers."

it did not know it was required to apply for an export license to ship the dual-use aluminum bars out of Italy. Italian authorities accepted the company's defense that companies do not always know which products fall under dual-use restrictions.<sup>4</sup>

A Turkish investigation into STEP found that the alleged Jafari network spanned five continents and served as an intermediary for Iran on purchases of specialized metals, in addition to a myriad of devices and electronics, some with applications in missile guidance systems and explosives.<sup>5</sup> According to the Turkish government's investigative report, authorities found that in 2005 alone, STEP falsified customs documents for shipments going to Iran on 17 separate occasions.<sup>6</sup>

The Turkish investigation uncovered STEP dealings with a Dutch company, Fluke Company, and a British company called Flowserve. Flowserve products, such as pumps with dual-use applications in both the nuclear and oil sectors, were purchased by Fluke, and then sold to a firm in Iran called Carvana. A *L'Espresso* investigation found that Carvana's agent was actually the father Jafari, Mohammad Javad Jafari. After the shipment of aluminum was seized in Turkey, Carvana phoned Commerciale Fond to inquire about buying 7075 T6 aluminum bars for truck parts. Italian intelligence demanded that Fond turn down the sale once it identified Carvana as an Iranian company. The Turkish investigation found that Carvana was at one time a state-owned entity under the control of Bank Saderat of Iran, which is sanctioned by the U.N. Security Council for facilitating Iran's illicit procurement activities.<sup>7</sup>

The Turkish investigation also found that an Italian firm, Frusca, sold the Jafari network 250 ball bearings for gyros that could be used in long-range missiles. The ball bearings were manufactured by French supplier ADR. Both ADR and Frusca had notified STEP that the goods had military applications and could not leave Turkey.<sup>8</sup>

In 2006, as Jafari allegedly negotiated the sale of Palnicro brazing alloy from the California company, he notified the company that they should ship to the company Macpar instead of STEP. It is possible that the heavy focus by Turkey, Italy, and the United States on STEP's activities compelled the Jafaris to use a different company name.

The Jafari network may have procured goods for Iran from their own European outposts. Internet searches in 2006 undertaken by ISIS revealed that a location of STEP existed in Germany at that time, the father Mohammad Javad Jafari was listed as an Istanbul-based partner of this location. Another Iranian national managed the German STEP, as well as an Austrian metal and machinery supply company. The two companies cooperated on procurement contracts for goods provided to the Iranian company Hamkar-E Sanayeh Co. (HESCO), which claimed to be a construction company involved in the oil and gas industry. The name of the manager for the German STEP and the Austrian company appears to be the same as the name listed as a manager of HESCO and as a member of its Board of Directors.<sup>9</sup> Given the recent sanctioning of the Jafari network, these cross-affiliations raise questions about the nature of these procurement activities.

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<sup>4</sup> Gianluca Di Feo and Stefania Maurizi, "From Modena to Tehran," *L'Espresso*, December 28, 2006.

<sup>5</sup> "Iran: The Atomic Path."

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Paul Brannan, Internal ISIS memorandum, February 22, 2006.

## Getting to the Core

Milad Jafari and his associates remain in Iran, in Turkey, or elsewhere abroad. If caught and tried in a U.S. court for the allegations in the indictment, Milad Jafari could face 5 years in prison for conspiracy, 20 years for each export control violation, 10 years on each smuggling count, and could stand to forfeit nearly \$178,000 of assets. However, the difficulty with prosecuting alleged smugglers who operate close to the core of Iran's procurement operations remains that alleged members such as Jafari cannot be prosecuted unless they are identified and arrested either by the United States or one of its allies while they are traveling abroad. Knowing he is under U.S. indictment, Jafari could decide to limit his travels outside of Iran. Suspected smugglers must also be extradited, often a lengthy legal process fraught with potential that a defendant will be released without a strong extradition treaty in place, or that the charges will not be recognized by the court of law of an arresting country.

The United States has recently increased its focus on [stopping the members at the core of Iran's procurement networks](#), or those operating from Iran with close connections to the actual military entities directing the illicit procurement operations that buy and receive goods. These efforts attempt to overcome the fact that smugglers operating from other countries are not subject to any international trafficking law through which demands could be made for extradition and trial. Implementing such a law should be a priority for the United States and the international community of responsible, export law abiding states in order to strengthen their efforts to shut down Iran's and other countries' illicit procurement operations.