



Iranian Illicit Procurement Scheme to Acquire Controlled Spectrometry Systems Busted

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Overview

On September 9, 2021, the German Federal Prosecutors Office issued an arrest warrant for a German-Iranian citizen, Alexander J., who is accused of illegally exporting a multitude of laboratory equipment, including four spectrometers, in three separate cases, exports that appear to have also violated the Joint Comprehensive Plan of Action (JCPOA).¹ The total value of all the goods exported to Iran is 1.1 million euros. The defendant, Alexander J., is accused of violating the Foreign Trade Act (AWG) and Regulation (EU) No. 267/2012 of March 23, 2012, as amended in October 2015 in response to the establishment of a special Iranian procurement channel in the JCPOA, which places restrictive measures on certain Iranian entities and equipment for export (and related activities, such as brokering). In the first two cases, Alexander J. is alleged to have exported items to an Iranian national whose Iran-based companies were EU-sanctioned front companies procuring laboratory equipment for Iran's nuclear and ballistic missile programs at the time. Alexander J. further supplied the sanctioned entity with two spectrometers listed in Annex II of this EU regulation, which lists items that are not on the EU dual-use control list (Regulation (EC) No 428/2009 of 5 May 2009) but that could contribute to sensitive activities, including enrichment-related activities, reprocessing or heavy-water-related activities.² These items require a license on a case-by-case basis. In addition, Alexander J. violated the regulation by providing goods to an embargoed entity. In the third case, Alexander J. exported two listed spectrometers to a different, unspecified Iranian entity, also without the required license.

¹"Arrest for alleged violations of the Foreign Trade Act" [Google Translated], German Federal Public Prosecutors Office, September 14, 2021, <https://www.generalbundesanwalt.de/SharedDocs/Pressemitteilungen/DE/aktuelle/Pressemitteilung-vom-14-09-2021.html?nn=677796>.

² In the 2012 regulation, Annex II was described as "goods and technology which could contribute to Iran's enrichment-related, reprocessing or heavy-water-related activities, to the development of nuclear weapon delivery systems, or to the pursuit of activities related to other topics about which the International Atomic Energy Agency (IAEA) has expressed concerns or has identified as outstanding, including those determined by the UN Security Council or by the Sanctions Committee." This was changed in 2015 to "goods and technology, other than those included in Annexes I and III, that could contribute to reprocessing- or enrichment-related or heavy water-related or other activities inconsistent with the JCPOA."

Alexander J. was arrested a few days after his arrest warrant on September 14, 2021, but two unnamed co-conspirators remain at-large. It is unclear what role they played in the illicit procurement scheme. The illicit procurement network was active from at least August 2018 to June 2020. German privacy laws complicate the naming of suspects, leading to the provision of first name and initial of the last name.

Given the nature of the items, the Iranian procurements violated not only German law and EU regulations, but appear to have also violated the regulations of the procurement channel of the Joint Comprehensive Plan of Action (JCPOA). Per Resolution 2231 (2015), the procurement channel needs to approve an export “if the State determines that they could contribute to reprocessing or enrichment-related or heavy water-related activities inconsistent with the JCPOA.” This is the definition of items listed in Annex II of the EU regulation, under which the spectrometers were listed, and as such, the JCPOA’s procurement channel regulations should have been invoked.

Case One

In August 2018, the unnamed Iranian national with sanctioned Iran-based front companies received an order to procure laboratory equipment for a customer within Iran’s nuclear and ballistic missile program, which, through additional middlemen, was received by the arrested Alexander J., operating from his business located at his home address in the Segeberg district, in Schleswig-Holstein, Germany. The order included a list of 23 items, including two spectrometry systems, for all of which Alexander J. provided a cost estimate of 990,000 euros. In March of 2019, Alexander J. received an advanced payment of 680,000 euros. Alexander J. faced difficulties in procuring the two spectrometry systems, and he thus placed this part of the order on hold. Alexander J. moved forward with the rest of the order and exported items with an estimated value of 545,000 euros to the embargoed Iranian entity based in Iran.

Case Two

A few months later, in October 2019, Alexander J. contacted the CEO of a company in Segeberg district, Germany, to procure the two spectrometry systems for a price of 388,000 euros. It is unclear if this person knew or suspected the ultimate customer of the order, but he succeeded in procuring the items. Alexander J. exported the two spectrometers on June 30, 2020, from an unspecified place in the EU to the embargoed Iranian entity based in Iran. It is unclear from the indictment and other available open-source information how the spectrometers were shipped from the European Union to its end-destination in Iran, and if a transshipment occurred.

Case Three

In May of 2019, Alexander J. was contacted by a separate Iranian customer that sought two spectrometers also listed in the Annex II of Regulation (EU) No. 267/2012 (2015). Alexander J. successfully procured the two spectrometry systems valued at 166,000 euros and exported them to Iran in January 2020 without the required export license.

Lessons and Recommendations

This case highlights the continued effort of Iran to break trade control laws and sanctions of other nations to procure items for its nuclear and ballistic missile programs. Additionally, Iran continues to actively recruit sympathetic or persuadable individuals to acquire commodities for its sensitive programs. Some of these exports appear to violate the JCPOA. Future discussions with Iran should address the illicit activities being undertaken by Iran's government in defiance of international and national laws and regulations.

This also highlights that Iran continues to lack the domestic capability to produce certain sophisticated measuring equipment and analytical instruments, such as spectrometry systems essential for a uranium enrichment program, and thus, is forced to seek these items elsewhere.

Iran continues to go to extensive lengths to acquire the necessary components for its nuclear and ballistic missile programs and utilizes front companies and other schemes to deceive legitimate businesses and individuals. All suppliers should remain vigilant, exercising greater due diligence when fulfilling orders for sensitive commodities and reporting any suspicious activities to the relevant authorities.