

Treasury Tightens Squeeze on Iran Front Companies

from *The Iran Primer*

October 27, 2011

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In its latest action against Iran, the Treasury Department has sanctioned six new front companies connected to Iran's official shipping line. The six companies, based in Panama, are part of an Iranian game of cat-and-mouse designed to hide Tehran's ownership and mask its ongoing activities related to both proliferation and terrorism. The companies took ownership of the Iranian vessels after Treasury sanctioned their previous owners, working out of the Isle of Man, last November. Over the past three years, the United States has now designated over 150 vessels, companies, entities and individuals related to the Islamic Republic of Iran Shipping Lines (IRISL).

"IRISL has not changed its conduct; instead it has tried to change its identity," said Adam Szubin, director of Treasury's Office of Foreign Assets Control. "IRISL's ships have been renamed, reflagged, repainted, and renamed again. It has repeatedly shifted the nominal owners of ships and modified shipping documents to conceal its activities."

The action is part of a widening campaign by Washington to take tougher action against Iran, particularly after revelations about a plot to kill the Saudi ambassador in the United States. The Obama administration is also pressing international allies to sanction key Iranian entities already designated by the United States, such as Iran Air, and to seriously consider taking similar action against Bank Merkazi, the Central Bank of Iran.

Some of these actions will be focused specifically on Tehran's support for terrorism, leveraging the recent assassination plot in consultations with allies and international organizations. Others will focus on other aspects of Iran's illicit conduct, including its global proliferation activities and suppression of human rights at home.

The Iranian shipping line was originally **designated under counter-proliferation powers** (Executive Order 13382) for providing logistical services to Iran's Ministry of Defense and Armed Forces Logistics. But it has also been tied to Iranian state sponsorship of terrorism. Investigation into the 1994 bombing of the Jewish community center in Buenos Aires led prosecutors to look closer at several Iranian front companies, including some with links to its chief shipping line.

Treasury's latest sanction on Oct. 27—which chronicles Iran's effort to transfer ownership of IRISL entities from the Isle of Man to Panama—underscores how significantly Iran's presence in Latin America has grown since the 1994 bombing, despite efforts to contain it. It also illustrates how the United States began to focus on front companies Iran has created to hide its work. ([Graphic about ownership transfer](#))

According to Argentinean prosecutors, a large number of individuals, front companies, cultural organizations, student groups and others collected information for the 1994 bombing that was then passed up the Iranian intelligence chain to senior officers through a variety of different communication channels. These structures not only collected information but also provided logistical support at the behest of their case agents.

Investigators then focused on other Iranian outlets, such as its official shipping line and the Islamic Republic News Agency, which also provided cover for intelligence functions. The shipping line never opened an office in Argentina, but IRISL vessels docked regularly at many Argentinean harbors. The purpose was to provide overtly legitimate entities controlled by the Iranian government “for purposes of carrying out illicit activities such as financing terrorist organizations; facilitating the movement of persons, documentation and information; espionage; logistics support, and so on,” according to the Argentine prosecutors’ report.

Abolghasem Mesbahi, a former senior Iranian intelligence official who defected to Germany, later told Argentine prosecutors about the set-up. “The cover businesses had two missions: generating income; and manipulating sources and providing them with ample cover,” he said. IRISL “is a shipping company that is managed by the Revolutionary Guard and that coordinates all of Iran’s illegal business activities. This includes tasks such as transporting people illegally from one country to another, issuing false shipping documentation, or altering commercial documentation by changing the designation of the goods listed on the documentation. They also carry out kidnappings.”

Little attention was paid to these warnings about IRISL until its illicit activities came to light in 2008 in context of global efforts to disrupt Iran’s nuclear weapons program. In September, the United States accused IRISL of being involved in illicit commerce. The State Department noted at that time that the U.N. Security Council identified IRISL’s involvement in “proliferation shipments.”

IRISL has also been implicated in shipping arms to terrorist groups, as in the January 2008 seizure of the *Monchegorsk*, an IRISL-chartered ship bound for Syria with components for mortars with powder, propellant, and shell casings for 125mm and 130mm guns. Dutch customs began to label merchandise shipped by IRISL or Iran Air in the highest risk category and inspect any cargo they carried, while Britain banned British companies from doing business with the Iranian shipping line.

Other European countries recognized the threats posed by Iran’s use of front companies and cut-outs to facilitate illicit activities. The Czech Security Information Service reported similar findings. In 2009, it determined that Iran used “mediating firms” in the Czech Republic to procure items that could facilitate the production of weapons of mass destruction. According to the report, Iran orchestrated complex business channels in which companies from various countries fulfill only partial tasks without knowing the whole chain of suppliers and customers. In 2010, the United Nations Security Council passed Resolution 1929, which focused on Iran’s missile and nuclear weapons programs and highlighted the illicit conduct executed by IRISL and Iran Air’s cargo division.

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