Iran's Procurement Channel (Part 2): The Clandestine Factor

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Brief Analysis

Trying to stop Iran's nuclear proliferation is a task better suited to allied intelligence services than customs authorities and procurement channels.

As described in Part 1 of this PolicyWatch **(https://www.washingtoninstitute.org/policy-analysis/view/irans-procurement-channel-part-1-salvaging-nonproliferation-gains-while-rei)** , the U.S. sanctions scheduled to come back into force on November 5 will disrupt the procurement channel that was set up to regulate certain Iranian imports after the nuclear deal. Yet in the nearly three years since its creation, the channel has done nothing to convince doubters that Tehran ever abandoned its ambition to develop nuclear weapons. In fact, many fear that renewed sanctions will spur Iran to accelerate its efforts toward that end, whether by pursuing undeclared nuclear activities or stockpiling components in order to ramp up its declared program if the Joint Comprehensive Plan of Action collapses entirely. If so, the regime would likely make use of clandestine channels, just as it did in the past when acquiring uranium enrichment equipment and other technology.

FROM KHAN TO NORTH KOREA AND CHINA

Much of Iran's existing nuclear program was made possible by assistance from a network established by Pakistani nuclear scientist A. Q. Khan. This proliferation network was an extension of the system Khan began setting up in the 1970s, when he was trying to build a uranium enrichment plant in Pakistan using European centrifuge

technology. His original network involved friendly businessmen, companies prepared to turn a blind eye to what they were manufacturing and supplying, and cut-out delivery addresses obscuring the fact that Pakistan was the intended end user. To circumvent controls, many of the items he procured were deliberately mislabeled or even sent via diplomatic bag.

Iran used similar methods when starting its own nuclear program in the 1990s, establishing front companies, ordering supplies under the auspices of university research or commercial use, and transshipping components via third-party countries. Through such sources, the regime managed to illicitly procure centrifuge components, neutron initiator design documents, zirconium production equipment, missile designs, different forms of uranium, and other critical items. Although most of these components came from Khan and other Pakistani sources, some were obtained from North Korea and China. Iran is still using such illicit channels today, as evidenced by **a UN report this June (https://www.securitycouncilreport.org/atf/cf/%7b65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7d/s_2018_602.pdf)** describing multiple shipments of dual-use items that did not seek approval through the UN-mandated procurement channel.

BYPASSING THE CHANNEL

The low volume of shipments conducted via the official channel is another indicator that clandestine procurement persists. As described in Part 1, the channel received only thirty-seven transfer requests between its inception in 2016 and its last UN progress report this June (most of them from Germany). The bulk of the applications were for dual-use goods, which could have a nuclear purpose but appeared to be bound for their declared commercial use in the automobile, oil/gas, pharmaceutical, medical, and construction industries. Only one or two of the requests involved materials destined for Iran's declared nuclear program. Although the program has been reduced under the nuclear deal and therefore requires fewer materials to operate, the notion that it needed so few components over two and a half years seems farfetched.

Granted, at least one official channel request was rejected: Britain blocked a three-year contract for Kazakhstan to sell 950 tons of uranium yellowcake to Iran. Moreover, some of the materials Iran receives for its nuclear facilities at Fordow and Arak are exempt from the procurement channel. Yet even taking these factors into account, the number of requests being made through the channel remains suspiciously low. Routine operational and maintenance needs alone would seem to demand more volume. Iran might also be procuring items at just below the thresholds required to go through the channel; this would be an effective, if slightly inefficient, strategy.

A more worrisome possibility is that Tehran is exploiting a loophole in the procurement channel—one that puts the onus for seeking approval on the supplier rather than Iran. This provision essentially allows the regime to bypass the channel, then play dumb when caught. As described in Part 1, Washington and the United Arab Emirates recently reported several shipments of dual-use items that were sent to Iran without approval. In April, the UAE informed the UN Secretariat that it had seized four shipments in May 2016, April 2017, July 2017, and December 2017, each containing items that were supposed to go through the procurement channel application process. A week later, the United States reported that additional dual-use items had been transferred without approval.

All of the items identified in these reports are worrisome from a proliferation perspective. The tungsten found in the UAE seizures can be used a surrogate for uranium in testing weapons designs, as a reflector inside a working nuclear weapon, and as a component in a ballistic missile program. Iran has previously procured tungsten illicitly from a Chinese company, albeit not in the cylindrical form discovered by the UAE.

The two items reported by the United States are problematic as well. Carbon fiber can be used to make rotors and bellows for centrifuges; indeed, Iran began using carbon fiber in its advanced centrifuges when its preferred material, maraging steel, was sanctioned. Carbon fiber can also be useful in a missile program. The second item,

aluminum alloy, is similarly useful for building centrifuges. Such alloys stand out from the other reported items because they are regulated as a nuclear material rather than a dual-use material if they meet certain criteria for tensile strength.

Notably, the UN report does not specify which countries supplied these items. The next report, due in December, should provide more detail.

INTELLIGENCE VS. INTERDICTION

The fact that Abu Dhabi's revelations did not surface until two years after the first seizure suggests that Emirati authorities were monitoring Iran's supply channel for some time without reporting it. The timing of Washington's report suggests that U.S. authorities were doing the same.

This apparent reticence to reveal information is a good reminder that interdicting shipments and collecting intelligence can serve multiple, sometimes conflicting, purposes. Customs agents are tasked with finding examples of regulations or laws being broken, intervening in a timely fashion, and punishing the perpetrators when necessary. In contrast, intelligence officers are more interested in observing what is being purchased, and how much, in order to develop an overall picture of a country's proliferation activity. As such, they often seek to avoid tipping off the culprit, in part because closing down a channel could lead its participants to set up an alternative route that takes a long time to discover.

For instance, if Western authorities clamp down on procurement networks too aggressively, Iranian engineering and technology companies could abandon all hope of establishing replacement routes in Europe or the United States (where they would be comparatively easy to monitor), instead approaching China or Russia (where authorities may turn a blind eye). Beijing already proved willing to supply Iran with nuclear materials and equipment during the early days of its program, just as it provided nuclear weapon designs and warhead-capable missiles to Pakistan's nascent program.

Today, China and Russia are largely exempt from using the procurement channel because their main declared projects with Iran serve nonproliferation objectives, as described in Part 1. Although the United States should support these objectives, the irony is that Beijing and Moscow are the same states whose clandestine and open assistance helped drive so much of Iran's proliferation activity in the past.

Indeed, the international community's history of keeping countries from acquiring sensitive nuclear technology is disappointing—usually the result is delay rather than true prevention. Pakistan's centrifuge imports were disrupted from 1978 onward, but it still achieved the capability of making a nuclear bomb as early as the mid-1980s. Iranian officials are no doubt well aware of this fact, and Washington would be wise to heed it as well now that sanctions are coming back into force. In practice, this means acknowledging that preventing nuclear proliferation requires a deep, continuous, and effective intelligence collection effort—one that goes beyond periodic interdictions of individual dual-use shipments.

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