

The E2C2Echo

QUARTERLY NEWSLETTER



Iranian Drones Aiding Russia's War on Ukraine Utilizing U.S. Technology

For over four decades Iran has been under heavy economic sanctions imposed by the United States. This international isolation has forced the country to become self-sufficient in many areas. However, Iran still relies heavily on foreign sources when developing military technology, including Iran's Shahed 136 drone program.

This program gained international attention due to the fact that Iran is providing these drones to Russia, which is using them against the citizens of Ukraine.

Russia has ordered as many as 2,400 drones from Iran and sources drone parts from a variety of suppliers, both domestic and foreign. The drone's engine is reportedly produced indigenously in Iran. Further, other components and systems, such as cameras, servo motors, GPS, semiconductors, and communication systems, are

sourced from international suppliers violating international sanctions.

The Shahed 136 utilizes a 50 Horsepower, two-stroke, four-piston engine Iran reverse-engineered from the German-designed Limbach L550. The Shahed 136 also utilizes a commercial-grade avionics system that is readily available worldwide. It uses a combination of a commercial-grade inertial guidance system and GPS and GLONASS satellite navigation systems. The vehicle can strike targets up to 2,000 kilometers away, at a speed of 185 kph, and carry a payload of 20-40 kilograms of high explosives. It is believed Shahed 136s come in multiple configurations, including anti-personnel and armor, anti-fortification, radar seeker, and aerial surveillance. Each Shahed 136 costs approximately \$20k-\$30k to produce.

A recent report claims that roughly 75% of Shahed 136 drones contain Western parts, mainly from the United States, but also from Canada, Japan, China, Switzerland, and Taiwan. During an examination of a recovered Shahed 136 from the battlefield in Ukraine, over 50 components were identified, resulting in 77% of the components being manufactured by at least 13 U.S. companies.

One of the ways that Iran has been able to source parts for its drone program is through its extensive procurement network of agents and intermediaries. These individuals operate in countries that are not subject to the same level of economic sanctions as Iran and can produce the necessary parts and components and ship them to Iran without detection. Additionally, Iran has acquired these components by paying well above the market price, and many

companies are willing to violate sanctions for profit.

Another method that Iran has used to evade sanctions is setting up front companies in other countries. These companies are legitimate businesses that are controlled by the Islamic Revolutionary Gard Corps or Iran's Ministry of Defense and Armed Forces Logistics

(MODAFL). The countries that Iran utilizes the most to transship through include the United Arab Emirates, China, and Turkey. These countries have close economic ties with Iran and have been used to access Western markets and bypass international sanctions. Iran is also known to transship through Oman, Iraq, and Qatar.

The critical challenge in export compliance is the monitoring of third-party distributors who facilitate these transactions. It is recommended that the U.S. and Western suppliers and financial institutions look closely at the end user for shipments and for any additional red flag indicators.



Iranian attack UAV Shahed 136, eliminated by the Ukrainian Army near Kupiansk, Kharkiv region.

RED FLAG INDICATORS OF SANCTIONS EVASION

Business appears to be new and have little or no history online or in commercial databases.

Customer's email address doesn't appear anywhere online.

Goods or services of the company do not match the company's profile based on information previously provided.

Country of destination does not have the industry need for the product ordered.

The use of shell companies, trusts, or third-party intermediaries to obscure ownership, source of funds, or for international wire transfers. The use of shell companies and trusts, and/or third-party intermediaries, including art and antiquity dealers, lawyers, or real estate agents.

The customer has a complex ownership structure with no valid reason.

Transactions that once involved payments scheduled to go to or from Russia or Belarus prior to sanctions being imposed are cancelled and reappear as going to countries that are known transshipment points for exports to Russia and Belarus. Often these transactions will have little or no clear economic or business rationale.

Requested shipment route by the customer makes little or no economic or business sense.

Customer appears to obfuscate who they are, where their source of funds is coming from if not using a letter of credit, who the beneficial owner of the company is, and why they choose the payment method they used for the transaction.



ABOUT THE E2C2

The Export Enforcement Coordination Center (E2C2) serves as the primary forum within the federal government for executive departments and agencies to coordinate and enhance their export enforcement efforts.

The E2C2 promotes a robust whole of government approach to export enforcement by ensuring inter-agency coordination, promoting multi-agency collaboration, minimizing duplication of efforts, and strengthening the critical link between law enforcement, the Intelligence Community, export licensing entities, and the public sector.

Agencies, organizations, or businesses who have questions or would like to learn more about partnership opportunities, email us.

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