

dustries. In addition, Bofors laser-guided RA-70 surface-to-air missiles are said to be included, as well as untold other munitions and war supplies.

One of the most intriguing leads in the Schmitz-Iran investigation is the front firm, Scandinavian Medicin AG, through which it appears that Schmitz laundered at least a portion of the huge money flows from his illegal weapons sales. The member firms of Schmitz's Scandinavian Medicin AG included the scandal-plagued Fermenta, the Swedish chemicals and pharmaceuticals firm associated with Pehr Gyllenhammar of Volvo, Anders Wall of Beijer, and the Egyptian Refaat El Sayed, now under indictment for financial fraud and embezzlement. There is strong evidence that Fermenta, at the time of Gyllenhammar's merger discussions with El Sayed in late 1985, was to be a major part of illegal transactions with Iran involving Meshulam Riklis, New York-based financier of Israeli Industry Minister Ariel Sharon.

The other vital link in the Schmitz web of international weapons traffic is the critical role that Warsaw Pact countries played in knowingly conducting Schmitz's illegal shipments on to Iran. Available Swedish Customs Service records in possession of *EIR* reveal that a significant volume of the Schmitz Iran traffic was run through East Germany via IMES Import-Export of East Berlin, a division of the East German Foreign Trade Ministry. This did not take place without the witting knowledge of East German intelligence or the Soviets, giving a very interesting East bloc connection with the networks of former National Security Council aide, Lt. Col. Oliver North.

## Karl-Erik Schmitz's operation in West Germany

During late 1984, Swedish Customs and police were beginning to look into the role of Karl-Erik Schmitz's Scandinavian Commodities AB in illegal arms sales to Iran. Coming under investigative pressure, Schmitz did not move out of the arms business, but only shifted part of his operation into Germany. Ample documentation on this affair is provided now, by sources based in London, and part of the story has already made headlines in various German newspapers, like *Die Welt* and *Hamburger Abendblatt*.

As proven by the documents, on Oct. 1, 1984, Schmitz informed his contracting partner in Teheran, Colonel M. Ansarian of the National Defense Industries Organization,

on the changed situation: "I received your order No. 160143/1 for the delivery of 70 000 detonator units. Unfortunately, you drew the order on our bank in Sweden, which is not possible and can become very dangerous for us."

Schmitz added: "For your information: We will carry out the order with material from Nobel in Germany now, but the same type of detonator can also be produced at Bofors in Sweden." The Dynamite Nobel Germany Corporation in Troisdorf, near Bonn, is said to have supplied the material soon after, and upon a very urgent Iranian request, at least a major portion of the 70,000 detonators was brought into Teheran directly by normal Lufthansa air freight from Frankfurt in early December.

This brings up the question of a direct involvement of the government in Bonn, as the German Lufthansa, which is wholly government-owned, was the only Western airline then (and still is), to maintain a regular flight schedule into Teheran.

Apparently, the transfer by Lufthansa was far less risky for Schmitz than the usually-preferred transport by freighter, which is indicated by a telex Schmitz sent Teheran on Dec. 7, 1984, reporting that check-out procedures for the illegal cargo were "a delicate affair with German Customs present," when the *MS Bentota* was loaded with gunpowder at the German port of Nordenham, on the mouth of the Weser River. This concerned an illegal cargo of 80 tons of gunpowder for Iran. Schmitz informed the Iranians that "to secure future business, we'll have to be more cautious from now on."

As also listed in the documents April 1985, the two German freighters *Frauke* and *Katja*, both run by the Paul Heinrich Ltd. in Steinkirchen (on the Elbe River, near Hamburg), transported each some 100 tons of gunpowder for Iran's artillery. Other shipments of war matériel went via the *Deutsche Seeverkehrs AG Midgard*, based at the same port city of Nordenham which is also the base of another branch of Dynamite Nobel Germany Corporation. Also the Fritz Werner Industrieausstattungen Ltd. (FWAR) in Geisenheim, on the Rhine River near Rüdesheim, is heavily involved in illegal supplies of arms and other war material to Iran.

From the FWAR, business connections reach into France and Belgium, from Dynamit Nobel to Muiden Chemie in the Netherlands. Studying the documents, one gets the impression that Karl-Erik Schmitz built up Germany as the core of an illegal arms-dealing network operating throughout Western Europe. Schmitz's German operation was a big one, no doubt.

In the financing of these arms deals, the Iranian Bank Melli in Düsseldorf, apparently in cooperation with the bank's leading branches in Frankfurt and London, was prominently involved. The volume of Karl-Erik Schmitz's German operation is estimated at between 500 million and 2 billion deutschmarks.