



Germany and Yugoslavia: key transit points for arms to Iran.
The map shows one typical shipping route from Europe to Iran: The explosives, in this case 414 tons of gun powder from the Dutch company Muiden Chemic, are loaded on board the MS Bentota in the North German port of Nordenham, and shipped to Iran via the Belgrade, Yugoslavia company Federal Directorate of Supply and Procurement (FDSP).

*Translation of terms left to right:
 AFFAREN FDSP = THE YUGOSLAV FDSP
 AFFAIR MS BENTOTA Loads 414 tons of gun powder from Muiden Chemic, Netherlands*

Exchange of shipping documents

Dec. 28, 1984
 MS Bentota is passing the Suez

The Yugoslav deal and Karl-Erik Schmitz

by Göran Haglund

In parallel to the Tirrena contract with the European explosives cartel, the Iranians were buying masses of gunpowder from another supplier: South Africa. The deal was organized by a Swedish businessman, Karl-Erik Schmitz, who runs a trading company in Malmö, named Scandinavian Commodity AB. For at least a year, Schmitz had organized trade deals between Swedish companies and Iran, when in 1983 he received Iranian orders of about 4,700 tons of gunpowder. Schmitz placed those orders with South Africa.

But in September 1984, after some 3,000 tons had been delivered, the South Africans announced that they were unable to carry out more deliveries. Schmitz had to find another supplier for the remaining portion. The problem was that

while most Western European countries produce gunpowder, none would officially accept Iran as a buyer.

Here Schmitz and the "Gunpowder Club" met in common interest: The former had to find large amounts of gunpowder on behalf of Iran; the latter was already producing it, but had to find a new transfer country, through which deliveries could be channeled to Iran, after the Italian Tirrena deal had collapsed. In the fall of 1984, Schmitz received the ambitious Bofors marketing director, Mats Lundberg, in his Malmö Scandinavian Commodity office to discuss the matter.

Yugoslavia was to become the new transfer country, and Schmitz and Lundberg traveled together to Yugoslavia to work out the following deal: Schmitz placed his Iranian orders with Yugoslavia, which could deliver a small amount of domestically produced gunpowder. Then, Yugoslavia placed an order with Bofors for the remaining, bulk portion to be delivered to Iran. This order was then split by Bofors and other members of the "Gunpowder Club."

But new financial arrangements were necessary. As the South Africans discontinued their gunpowder deliveries to Iran, the flow of payments was going from the Iranians through their bank in London, Bank Melli, to South Africa, via their Luxembourg bank account. As the deliveries were taken over

