


MILITARY LOGISTICS

FORUM

NOVEMBER/DECEMBER 1985



**SUBIC BAY
AND CLARK
WHAT IF?**

THE AYATOLLAH'S LIST

A special report on how Iran infiltrated
the U.S. military supply system

THE IRANIAN CONNECTION

Iran's quest for U.S. military equipment began with a requirements list generated by the country's U.S.-supplied computers and reached into the U.S. Navy's supply centers and storerooms. Where it ended—or whether it has ended—no one knows for sure.

On a hazy morning last May, an attractive, raven-haired woman drove a gray Nissan Pulsar through the remnants of San Diego's rush-hour traffic. She turned onto Morgan Canyon Road and pulled into Mini-Max Self Storage, stopping at unit 70-D. The time was 9:32.

Wearing a long-sleeved, red blouse and a lavender-and-turquoise vest against the coolness of the Pacific breeze, the woman got out of the car, unlocked the door to the mini-warehouse and stepped inside. A few minutes later, she reappeared and started loading boxes into the trunk and back seat of the car. At 9:43, she relocked the storage unit, got into the compact sedan and drove off.

Within five minutes, the Nissan was winding through the quiet streets of Tierrasanta, a suburban neighborhood of \$200,000 houses on a canyon rim above San Diego. At 10730 Gobacha Drive, a handsome house with a manicured lawn, she turned the car into the driveway and inside the garage.

An hour and 42 minutes later, the woman left the house and pointed the Nissan toward downtown San Diego. She stopped at a Federal Express office on West Palm and carried a cardboard box inside. At the counter, she gave information for the airbill: The 39-pound box contained automotive electrical equipment valued at \$375, she stated, and was to be shipped to London via New York.

Gaylord Shaw is a Pulitzer Prize-winning reporter in the Washington, D.C., bureau of the Los Angeles Times.

BY GAYLORD SHAW

The woman, Julie Agustin, was not a typical suburbanite running routine errands. She was, the U.S. government charges, a messenger for the Ayatollah Ruhollah Khomeini of Iran, and the box she delivered contained \$40,000 worth of parts for the F-14 Tomcat fighter.

The 47-year-old travel agent was arrested last July along with her husband, Frank Agustin, and five others—including two storekeepers on Navy ships and a civilian employee of a Navy supply depot. They were named in a 61-count indictment charging they conspired to steal, transport and illegally export to Iran what prosecutors called some of "the most sophisticated combat weaponry known to the Free World."

Three months later, an eighth arrest was made. Daniel G. Wheeler, a former civilian employee of the Naval Air Rework Facility in Norfolk, Virginia, was accused of stealing electronic parts, circuit boards and gyroscopes for smuggling into Iran. In announcing the arrest, Assistant U.S. Attorney Phillip Halpern told United Press International: "We have expanded the scope of the nationwide dimensions of the organization that has been able to penetrate naval facilities for so long."

In what is regarded as one of the most serious security breaches ever of U.S. military supply operations, the government charges the eight joined in a ring of thieves and smugglers seeking to thwart a U.S. ban on the sale or shipment of

military parts and equipment to Iran—a country officially classified as being hostile to the United States. The embargo dates from the 1979 kidnapping of 53 Americans in Iran who were held hostage for 444 days by followers of Khomeini.

ISLAMIC REPUBLIC OF IRAN
REQUIREMENT LIST OF TANK

EQ	PART NAME	PART NUMBER	U/I	I	O
17	VALVE	7973651	Y	EA	I
221	HOSE	8374917	Y	CA	I
40	GASKET	17995849	Y	EA	I
125	ADAPULATOR	7974942	Y	EA	I
126	HOUSING	7973125	Y	EA	I
137	PLATE	7973174	Y	EA	I
174	GUIT	7973124	Y	EA	I
144	CAMSHA	7973124	Y	EA	I
127	GEAR	77681009	Y	EA	I
170	STRAP	4348212	Y	EA	I
11	TRANSMISSIO	8358138	Y	EA	I
17	PUMP-ASSY	18911436	Y	EA	I
17	GEAR-ASSY	18911432	Y	EA	I
18	GEAR-STRAM	7768133	Y	EA	I
19	KIT-TRANS	8248331	Y	EA	I
13	PLATE	7709285	Y	EA	I
14	HUB	7709285	Y	EA	I
14	WHEELPUMP	8348567	Y	EA	I
14	STRAINER	8358485	Y	EA	I
11	CARRIER	7709554	Y	EA	I
16	RYNG-ASSY	8358423	Y	EA	I
16	GEAR	7709285	Y	EA	I
16	CARRIER	7709554	Y	EA	I
17	ELEMENT-OIL	8358485	Y	EA	I
17	CASE	7709285	Y	EA	I
15	SEAL PLAN	7709285	Y	EA	I
12	GEAR	7709285	Y	EA	I
14	DRUM	7709285	Y	EA	I
18	ROOF	7709285	Y	EA	I
17	PISTON	7709285	Y	EA	I
14	COVER-TRAN	7709285	Y	EA	I
14	COVER	7709285	Y	EA	I
14	CYLINDER	11626975	Y	EA	I
17	HUB-WHEEL	8767723	Y	EA	I
17	BEAK-BAND	8358485	Y	EA	I
17	RAD-WHEEL	8767723	Y	EA	I
17	HUB	8767723	Y	EA	I
17	ASPLASSY	15995993-1	Y	EA	I
17	ASPLASSY	15995993-2	Y	EA	I
17	CYLINDER	10914449	Y	EA	I
17	PARTS-KIT	7709285	Y	EA	I
17	BLANKET	8248331	Y	EA	I
17	SUITCOM	7971642	Y	EA	I
17	FIN ASSY	8007716-1	Y	EA	I
22	HTQR	8461213	Y	EA	I

NEXT STOP, TEHRAN

How Iran typically got parts and equipment from the U.S. military supply system.

According to authorities, the ring supplied hundreds of military spare parts and pieces of equipment worth many millions of dollars, routinely meeting the needs specified in what agents call "The Ayatollah's List." This is a detailed and constantly updated, computer-generated catalog of what the Islamic Republic of Iran requires to keep its U.S.-made airplanes, ships, tanks and other weapons operational for its grueling, six-year-old war against Iraq.

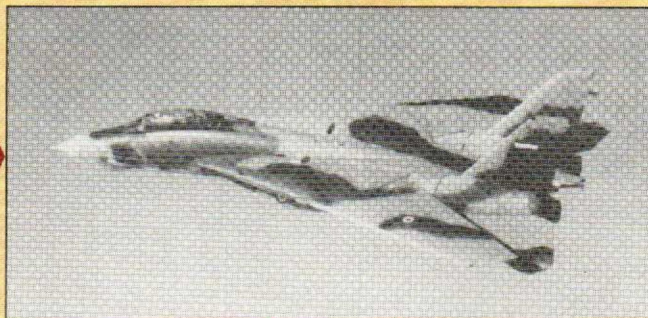
The story of how the ring allegedly exploited weaknesses in the military supply system stretches from the streets of Tehran to office suites in the shadow of London's Big Ben and on to drab depots and windowless warehouses, the dark holds of ships and the back lots of military bases where the United States stores more than \$100 billion worth of weapons, equipment and spare parts.

It is a story with a disturbing lesson: A hostile power apparently does not require highly skilled agents or elaborate espionage techniques in order to penetrate the country's military supply system. Indeed, given the United States' reliance on advanced technology to give it a vital edge in national security, and with administration officials from President Reagan on down warning against letting the nation's defense technology fall into unfriendly hands, the potential magnitude of the loss in such a case stands in stark contrast with the almost mundane methods used.

Says Peter K. Nunez, the U.S. attorney in San Diego whose staff is now prosecuting the case: "If these guys could do what they did, what is to prevent someone else from doing it? This is not James Bond. These are not KGB agents stealing defense secrets. These are little people motivated by dollars, who don't care about where the parts are going. If the Ayatollah had said he needed galvanized garbage pails, they would have stolen those."

FOR ALL THE sophistication of the stolen weaponry, some of the methods used to pilfer it were surprisingly unsophisticated—in fact, they best resembled shoplifting. One of the eight defendants, a civilian employee at the North Island Naval Air Station who pleaded guilty to theft and conspiracy, said he simply took the parts from the supply depot's shelves, stuffed them into a paper bag and drove off the base.

It was not the Navy's vigilance but, rather, two anonymous letters that sounded the alarm about the San Diego ring. Those letters prompted agents of the Federal Bureau of Investigation



1) With most of its 80 U.S.-supplied F-14 fighters grounded, Iran desperately needs aircraft parts to continue its war against Iraq. Iran's computer system, also U.S.-supplied, generates a requirements list, complete with part numbers that correspond to those used in the U.S. National Stock Number system.

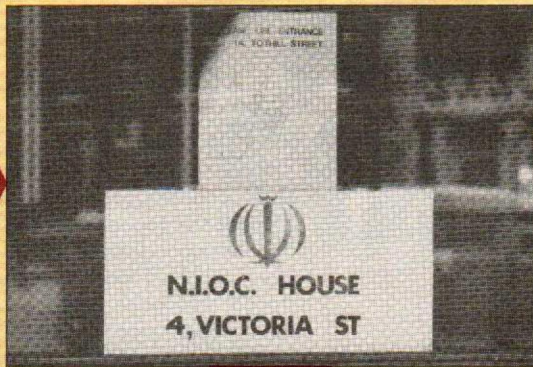


5) The stolen equipment is stored inside commercial storage facilities until Julie, Agustin's wife, allegedly picks it up.

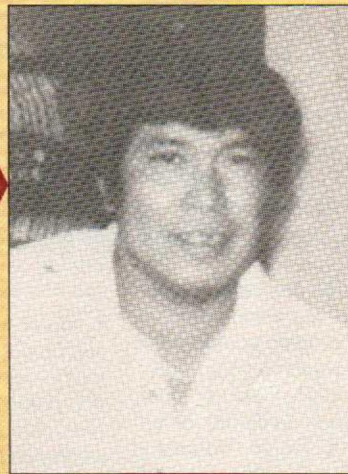


6) Julie Agustin allegedly brings cartons containing the equipment to this Federal Express office in San Diego and ships them to a London-based middleman, who then turns the equipment over to the Iranians for shipment to Tehran.

Photo credits: F-14, General Dynamics photograph; London office by Judy Ross; Naval air station and Federal Express office by Bob Grieser; Ayatollah Khomeini by DeJean/Syigma.



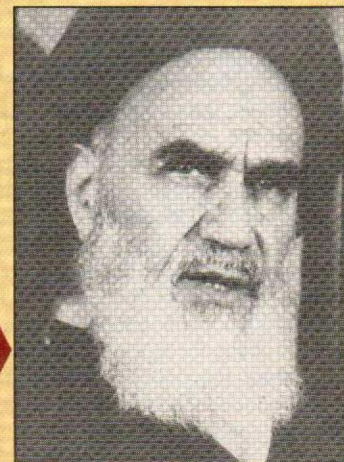
2) The list is forwarded to the Islamic Republic of Iran's Logistics Supply Center (Europe), which is located in the National Iranian Oil Company offices in downtown London. Here, Iranian officials make contact with arms brokers and Iranian agents in the United States.



3) The brokers and agents place orders with middlemen in the United States. In the San Diego ring, police say, the middleman was Frank Agustin, who has been arrested.



4) Agustin allegedly contacts his carefully cultivated Navy supply system sources, who actually steal the equipment. So far, authorities have arrested civilian Navy employees at the North Island Naval Air Station, aboard the USS KITTY HAWK, and aboard the BELLEAU WOOD, not shown.



The Navy cracks down

The Navy's top officer has ordered servicewide corrective actions following disclosure of the penetration of the Navy supply system by alleged agents for Iran.

"We will attack the notion that readiness, without due regard for accountability, can be used as an excuse to continue improper supply practices," Adm. James D. Watkins, chief of naval operations, declared in an endorsement to a Judge Advocate General's report on allegations of fraud, mismanagement and improper supply procedures aboard the aircraft carrier USS *Kitty Hawk*.

The day after Watkins ordered that "more must be done quickly. . . attitudes must be changed," Commodore James B. Whittaker, assistant commander for inventory and systems integrity, Naval Supply Systems Command, outlined a series of actions in testimony before a House Armed Services Committee subcommittee.

Whittaker said, "On balance, review of the Iranian theft situation confirmed we are adequately protected against external subversion unless knowledgeable insiders assist the outsiders. Consequently, we must strengthen our protection against such situations." Among the "specific corrective actions . . . to tighten physical security" he disclosed were:

- A strict code of personal ethics is being promulgated for those "who have direct responsibility for the management and accountability of material, financial records and computer data."

- High-cost repairable parts and "other critical assets" are being consolidated into a few select storerooms on Navy ships and "access will be limited to a small, select group of accountable custodians."

- Naval Investigative Service (NIS) staffing will be increased to allow more supply operations investigations, and a communications link has been established between NIS and the supply community to alert officers to "any item considered particularly susceptible to theft."

- Signature service transportation of high-cost and critical spares is being implemented." This means that an authorized individual has to sign for these parts at every step of the delivery process, and security is being tightened at all other areas where material is either transported or temporarily stored, including points of egress, such as shipboard conveyors, cranes, elevators, mail and trash.

- Shipboard security is being tightened "in all ADP spaces and spaces with terminals" and "we are developing an upfront ADP capacity that will lock out unauthorized users for targeted weapon systems."

- Classified inventory procedures are being re-emphasized and random inventories of all repairables are being increased.

- A reliability screening program is being developed for all storekeepers and other personnel in accountable positions.

—Gaylord Shaw

(FBI) and the U.S. Customs Service to begin watching the activities of Julie and Frank Agustin early this year.

Thus, agents had Julie Agustin under surveillance last May as she delivered one of the many boxes she carried through the months to the Federal Express office—in fact, the man standing next to her at the counter that morning was a U.S. agent. And agents executed a search warrant and opened the box before it left San Diego. Inside they did not find auto parts worth \$375 but an assortment of parts for the F-14 fighter worth more than 100 times that amount. The parts included 16 torque actuator rings and five vane turbine nozzles.

In the seven months prior to the arrests, agents intercepted more than a

dozen other cartons they said were being shipped by the San Diego ring. Inside the cartons, they say, they found expensive and sophisticated F-14 components, such as three signal data computers worth \$450,000 apiece; an infrared recorder valued at \$150,000; gimbal assemblies for the inertial navigation system valued at \$77,000 each; parametric amplifiers for the Phoenix missile system valued at \$45,000; and gas turbine fuel controls worth \$64,000 apiece.

A few of these parts were seized; others were disabled before being sent on. But what disturbs many agents is that the ring apparently had been operating for several years before the interceptions began. "There's no telling what went to the Ayatollah before we got on-

to it," says one customs agent.

The San Diego case is the first known instance in which the U.S. military supply system was allegedly infiltrated by Iranian agents, who stole directly from weapon stockpiles to fill the Ayatollah's needs. Other Iranian cases in the past have involved parts obtained on the "open market," either directly from manufacturers or from dealers who specialize in parts declared surplus by the U.S. military. Previous indictments—44 persons or companies from California to Connecticut were indicted during the 12-month period ending in September—usually centered on violations of the embargo on Iranian shipments or on conspiracies to violate the embargo, rather than theft of parts.

But there is concern that Iran has now targeted the U.S. military supply system in its efforts to obtain spare parts. This has led to tightened security, especially by the Navy (see story, page 24) and to greater vigilance by the FBI and Customs Service, the two agencies most directly involved in enforcing the ban on shipments of parts or weapons to Iran.

THE AYATOLLAH AND his followers inherited a huge arsenal of sophisticated U.S. weapons in 1979 when their revolution overthrew the Shah. Among the estimated \$17 billion in U.S. munitions the Shah had purchased between 1970 and 1979 were 80 F-14 fighters, a sleek craft so advanced that it was sold to no other foreign country.

According to intelligence sources, most of Iran's F-14s are not in service because of maintenance problems and a shortage of trained pilots. Last summer, the sources report, Iran was operating fewer than 20 of its F-14s, and those generally were serving as "mini-AWACs" to direct F-4s and F-5s against Iraqi warplanes, which are mostly Soviet-built MiGs and French-built Mirages.

When then-President Richard M. Nixon decided in 1972 to sell advanced fighter aircraft and other equipment to the Shah, he coupled his action with a commitment to provide the Iranian military with an equally advanced computerized supply system to keep the weapons in spare parts.

The U.S. Air Force Logistics Command was assigned to aid the Shah's military in setting up the logistics network, and it in turn awarded a \$135 million contract to Lockheed Air Services Co. for a program known as "Peace Log."

According to Lockheed spokesman John Dailey, the three-year contract, awarded in January 1977, called for installation of Honeywell computers and



Islamic Republic of Iran Air Force

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IN THE NAME OF GOD, THE MERCIFUL, THE COMPASSIONATE.

OUR REF.1363/578-104
YOUR REF. —

Date: Sept. 19, 1984

T.M.G HANLEY LTD.

Dear Sir,

Further to our verbal negotiations on 19.09.84, would you please deliver two brand new and genuine of VA145E tubes P/N 5960 000 0780684, to our assigned freight forwarder at your earliest convenience. It is understood that the sum of the \$ 294000 US. dollars will be paid to you within 15 days after their dispatch to Iran where they will be tested and examined by our specialists and you will be advised if they rejected or accepted accordingly.

Kindly request you to confirm our terms and condition by return mail.

Thanking you in anticipation, and we remain,

Yours faithfully,

A. Heamat

Islamic Republic of Iran Air Force
Chief Logistics Support Center (Europe)



the training of Iranians to handle the system, widely regarded at the time to be as sophisticated as—perhaps even more sophisticated than—that of the U.S. military.

Pentagon officials ruefully acknowledge that the Iranian supply system's computers probably are superior to the U.S. military supply system's computers, which are largely based on 1960s-era technology and are being updated in a massive program scheduled for completion in the 1990s.

Americans who were in Iran in the late 1970s say the Shah—and his military's U.S. advisers—liked to show off the fledgling supply system. "Whenever someone came over [from the United States] for a visit, they would be given a demonstration of the system," one American recalls.

The training of Iranians in the complexities of logistics was extensive and meticulous. "We [Lockheed] had 400 to 500 people over there, and every one of them had an Iranian counterpart that he was training," Dailey says. "It was a

one-on-one situation." The program was well along when the Shah fell in February 1979 and the Lockheed personnel were evacuated.

IT IS THE COMBINATION of the U.S.-supplied computers and training that produced the Ayatollah's list—a primary weapon in Iran's effort to coordinate its multibillion-dollar effort to circumvent the U.S. embargo.

The list is perplexing reading to all but aficionados of spare parts and military weapon systems. A computer printout stretching for hundreds of pages, it is headed "Islamic Republic of Iran Requirement List." Each page is divided into about a dozen tabular columns containing information such as the name of the part and the "item number" (which, officials say, corresponds to the National Stock Number [NSN] the part carries in the U.S. military supply system).

Federal investigators say there are separate lists for different weapon systems—one for 155mm howitzers, for instance, and another for M-47 tanks. The

A copy of the letter in which Iranian officials ordered two radar tubes through a London broker, who unwittingly passed the request on to an undercover customs agent posing as a supplier in the United States.

investigators say updated versions of the lists generated by the computers in Tehran are dispatched frequently to London where, in 1980, the Iranian air force and navy opened offices at 4 Victoria St., known then as the Islamic Republic of Iran's Logistics Supply Center (Europe). The seven-story building, which now bears a sign identifying it as NIOC—the National Iranian Oil Company—is in the heart of the city's commercial and government district, in the shadow of Big Ben, near Scotland Yard, Parliament and Westminster Abbey.

It is from 4 Victoria St., investigators say, that copies of the Ayatollah's list have been distributed to international arms brokers and weapons suppliers and to agents for Iran in England, the United States and elsewhere. The business conducted at 4 Victoria St. is done in private. Guards in dark uniforms appear instantly to shoo away unwanted visitors, and little can be seen through the building's tinted windows.

But it is no secret that Iran is eager to buy all types of military equipment. One intelligence source says the Tehran government is the largest customer in the world's illicit arms bazaar.

"The Iranians are all over town trying to make deals," says one London arms broker. "Everybody knows it." Another broker cites the lists distributed from the command center at 4 Victoria St. "Every trader in town knows what they want," he says, adding that the Iranian operatives are "screaming for . . . defensive equipment," including radar components, TOW anti-tank missiles as well as a range of anti-aircraft missiles.

As the demand for more sophisticated equipment has grown, so, too, has the sophistication of Iranian procurement operations, authorities say. Early efforts, however, were anything but sophisticated. "At first," recalls one federal agent, "they used what you might call a 'Smurf' program, flooding the countryside with so many agents that even if 80 percent got caught, they could count on the other 20 percent coming up with a lot of goods."

THE IRANIAN AGENTS obtained some equipment, such as miles of wire for Iranian army field telephones, on the

open market. "But they were awfully naive and ineffective," the U.S. investigator says of the "Smurfs." So, "Tehran went to Phase Two, using brokers to represent them in covert deals."

This phase proved to be expensive for the Iranians. As the number of middlemen involved in the deals increased, so did the markups. Court records in California give one example: On Sept. 19, 1984, the chief of the Iranian air force logistics center in London, using stationery bearing the first words of the Koran—"In the name of God, the merciful, the compassionate"—placed an order for two radar tubes with a London broker. The order was neatly typed but contained many misspellings. It asked the broker to deliver "two brand new and genuien" radar tubes for "the sum of the \$294000 US. dallors . . ."

The London broker then ordered the tubes from someone he thought was a U.S. middleman (but who, it turns out, was an undercover customs agent) for \$90,000 each. The manufacturer was selling the same tubes to the U.S. government for about \$30,000 each. Thus the Iranians were willing to pay a markup of 200 percent to get the radar tubes. And that, U.S. agents say, can rank as a modest markup in the world of illicit arms deals.

They cite the case of one U.S. dealer in surplus F-4 parts who was "buying scrap airplane parts for \$2,000, knocking out a few dents and repainting them, then getting \$40,000 each" from the Iranians. "The price markup is as good as running dope," another U.S. investigator observes.

Like drug trafficking, the Iranian arms deals involve large amounts of cash. According to government documents on a 1984 federal undercover operation, a Portuguese middleman counted out the \$25,000 payment for two radar system components in \$100 bills from a manila envelope stuffed with more than \$100,000. In discussing future deals, he promised to bring "a suitcase of cash next time."

But just as the first phase of Iran's procurement program—flooding the market with agents—didn't work too well, the second phase—flooding the market with well-financed middlemen—had its problems, too. Iranian officials discovered, for instance, that sometimes there is no honor among smugglers. One U.S. investigator recounts a classic rip-off: About three years ago, the Iranian procurement office in London arranged for a \$3 million order of weapons and aircraft parts from a group of brokers. The brokers

"Asefi told Agustin that he needed a handbook or instruction manual and diagrams for a particular part."

said they would consolidate the parts and weapons at a port in the Far East, put them in containers marked "farm implements" and ship them to Belgium. The Iranians were to transfer the money via a letter of credit upon receiving proof that the cargo had been loaded aboard ship and was sailing to Belgium.

This was done, and the brokers collected their \$3 million while the Iranians waited for the ship to arrive in Belgium. Two months later, the cargo ship steamed into port and the Iranians watched at dockside as the containers were unloaded and taken to a warehouse. There the containers were pried open by their eager buyers, who discovered, sure enough, that they had paid \$3 million for an assortment of farm implements—including old tractor parts, rusty pails and shovels.

LEARNING FROM SUCH bitter and expensive lessons, the Iranians began exhibiting more caution—insisting, for instance, that the ordered parts be inspected, preferably in Iran, prior to payment. And, U.S. agents say, the Iranian procurement office in London moved into a third, still more sophisticated phase: trying to find ways to penetrate the U.S. military supply system.

As part of this phase, authorities say, the Iranian officials turned to Saeid Asefi Inanlou. Only sketchy information has been disclosed about this man, whom U.S. agents call Asefi. He was born in Iran in 1948, came to England in 1973 and applied for status as a resident alien only last year. He and his wife formed a series of companies, Security Aids International, Chandler Trading and Chandler Ltd. In 1980, agents say, Asefi was known to have exported fighter aircraft ejector seats to Iran and, according to one document, "made other exports through the Iranian Embassy in

London . . ."

Also in 1980, Asefi helped a Filipino-American, Edgardo Agustin, form a company in New York known as Merit Communications Inc., court documents say. Over the next two years, the new company sold Asefi approximately \$1.5 million in quasi-military equipment and supplies, items like aeronautical charts for the Persian Gulf region and radio equipment, according to the documents. And through Edgardo Agustin, investigators say, Asefi came in contact with Frank Agustin, Edgardo's older brother and the husband of Julie Agustin.

Frank Agustin is described by authorities as Asefi's principal contact—the ringleader of a band of thieves and smugglers who, they charge, penetrated the security of the Navy supply system to meet the needs specified on the Ayatollah's list.

Agents who checked telephone records say Asefi and Frank Agustin had more than 100 long-distance conversations during the two years prior to their arrests. Last spring, as the investigation accelerated, authorities obtained court permission for wiretaps and listened while the two held trans-Atlantic phone conversations about the needs of the Ayatollah's military.

Last April 3, for instance, Asefi gave Agustin "a list of parts and part numbers which he wished to order . . . the Teledyne engine (part number J402-CA-7001), turbojet parts (part numbers 14-51151-1 and 14-5155-1), radar receivers (part number 8017000083-14) and pneumatic tires (size 24 x 800-13)," according to a federal affidavit.

The affidavit adds:

"Asefi told Agustin that he needed a handbook or instruction manual and diagrams for a particular part because 'it could be a new system' and 'we may not have it.'"

"Agustin said that he had 'so many little things' but that he is still waiting for the 'video fourteen.' He said he was having difficulty getting the 'video . . . as soon as I get the video I will be sending you . . .'"

Investigators say the "video" the pair were discussing probably was the device that was found three weeks later when U.S. agents surreptitiously entered unit 70-D at Mini-Max Self Storage and "inspected, inventoried and photographed" its contents.

"The contents included," a court document says, "a cardboard box approximately 30 inches high by 50 inches long. This box contained what appeared to be an electronic instrument with several large coaxial cables protruding from

the device with several large electrical plugs. This instrument weighed approximately 90 pounds and contained the following data imprinted or painted on the metal casing:

Honeywell, Lexington, Mass
R0408B/AAD-5
NAV023
Part No. HK 8B4
MFR. 81395 F4V600-80-C-0146

"... Further investigation revealed that this equipment was an infrared mapper [line scanner], which was manufactured for the United States military and used on the F-14 fighter aircraft as well as the RF-4B [reconnaissance version of the F-14] as a part of the Tactical Air Reconnaissance Pod System (TARPS).

Court records also give an account of other conversations between Asefi and Agustin. On April 9, for instance, the Iranian called "to find out why certain items he had ordered had not arrived. Agustin replied that he had 'nothing new to report . . . The bigger ones I'm waiting . . . they are not in yet.'

"Asefi further told Agustin that he was upset about the 'fuel controls,' for he had received only five of them instead of the seven that he had ordered. Asefi stated that 'the third and fourth ones had been returned to me . . . it had been smashed.' Asefi lamented that it was 'such a waste' of time and money to send the parts 'from your side to L.A., L.A. to New York, New York here, here then Zurich . . . ' with inadequate packing material.

"... Asefi closed by stating that he had received the brochure on the 'latest video' and would like the book that the brochure came from. Agustin explained that the book came from the 'USAF' . . . and that he would order an extra book for Asefi."

WHO WAS THIS man on the San Diego end of the trans-Atlantic conversations?

Through government documents, interviews with federal investigators and conversations with his relatives and business associates, a sketch can be drawn of Frank Agustin's background and method of operations.

Agustin came to San Diego in 1979 from Toronto, Canada, enrolling in a training program with Farmer's Insurance to become an agent. He listed his previous business as "auto parts." Soon after he received his agent's license, he left the country, telling his supervisor at the insurance company that he had to untangle some immigration snafus that were keeping his family in Canada.

*The Iranian called
"to find out why
certain items he had
ordered had not
arrived."*

He reappeared in San Diego in 1982, and that year he met Julie Francia at a party. They soon were married. While he was virtually unknown at that time in Southern California's Filipino-American community, she was a high-profile travel agent with a long history of civic and business involvement.

"Frank was an unknown," explains San Diego attorney Frank Lundstein. "Nobody knew where he was from. But they trusted Julie. She's 'old San Diego,' long established in the Filipino community. They trusted her implicitly."

One of the people who trusted her, Lundstein says, is his client, Pedro M. Quito, who was among those arrested in July and charged with participating in the theft-and-smuggling ring. Quito, a partially deaf, 60-year-old retired sailor, worked as a civilian employee at the Fleet Avionics Support Center at North Island Naval Air Station.

In mid-November, Quito turned government witness as part of an agreement under which he pleaded guilty to charges stemming from the theft of more than \$300,000 worth of F-14 parts from the Navy facility.

According to investigative sources and a 19-page sworn statement he gave to prosecutors—which was later obtained by the *Los Angeles Times*—Quito first met Julie and Frank Agustin in 1982 when he stopped by her travel agency to buy round-trip tickets to the Philippines. Quito stopped by the office again after his return from the Philippines and found Agustin looking through a catalog published by Grumman Corp., the contractor that builds the Navy's F-14.

"Listen, can you get me the price list and let me know when there will be some bidding for parts, aircraft parts?" Agustin asked, according to the source, who adds that the insurance agent explained that dealing in government surplus airplane parts was one of his sidelines.

Quito said in his statement that Agus-

tin gave him two sport shirts at that meeting and, according to the source, pursued the friendship by taking the warehouse worker to lunch and dinner. Agustin sold Quito auto insurance and eventually, the statement adds, gave him the first of a series of stock and part numbers for F-14 parts he wanted Quito to steal from the Navy.

Quito said in the statement that he was unable to locate any of the 20 parts on the first list and that Julie Agustin remarked, "Pete, you are the only one who hasn't scored yet." He said Frank Agustin gave him a second list and that he found some of the parts, stuffing them into a paper bag and taking them to Agustin, who rewarded him with \$250. "Is that all I get?" Quito recalled complaining.

Later, after being given a third list—totaling 10 pages and identifying 200 different parts—he said he stole other parts and that the payments increased to an eventual total of between \$10,000 and \$14,000.

QUITO WAS A FORMER Navy enlistee man who took the civilian job at the North Island depot to supplement his retirement pay.

The supply center where he worked consists of seven charcoal-colored, metal buildings stretching alongside the 11th and 12th fairways of the Sea 'n' Sand golf course at North Island Naval Air Station. Each of the buildings is the size of two football fields, and each is crammed with aviation parts in wooden crates stacked several stories high. It takes 287 civilian employees driving 47 forklifts to move 35,000 parts in and out each month.

Outside the buildings are even more parts—aircraft engines and helicopter blades, for instance, are stored in special metal boxes. Color-coded tags and stickers indicate the day the part arrived and its importance: If the tag is green, it must be Friday; if the sticker is pink, the part is classified.

Following disclosure of the San Diego theft-and-smuggling ring, the Navy conducted complete inventories of classified parts for the F-14 and Phoenix missile (officials say there are three classified parts on the fighter and 28 on the missile). "The inventories showed that the supply system is not missing any F-14 or Phoenix classified spares," Commodore James B. Whittaker, assistant commander for inventory and system integrity, Naval Supply Systems Command, told a congressional hearing.

Other Navy officials say that rather than depend on computers, a manual

system is used to keep track of classified components in the supply system. While classified parts are closely monitored, authorities say it is not difficult for Navy employees at supply depots to put less-sensitive parts in their car trunks and drive off base at the end of the day.

The military supply system is predicated on trust. Searches of cars driven off base are rare, which means that the system can be breached easily, according to Halpern, the assistant U.S. attorney prosecuting the San Diego case. "If a person is in a position of trust, it's very difficult to control access to parts if that position of trust is abused," he says. "It's one thing to keep your parts safe from outsiders. It's another thing when the outsiders are using military personnel for obtaining parts."

That's precisely what Frank Agustin did, the government charges. And the wiretaps disclose that the deals were handled in an almost casual way. On May 20, for instance, agents say Quito called Agustin to report "they are here now: 2214. There are two of those . . . electron tube . . . and also 7376, two of these, tape display . . . 96362 . . . 8156 . . ."

Later, when agents opened one of the boxes being sent from the Federal Express office, they found, they say, an electron tube and a tape display among the \$24,000 worth of F-14 parts it contained.

Not far from the warehouses of North Island are the piers where some of the mightiest war ships of the U.S. Navy's Pacific fleet are docked when they are not deployed at sea. One of them is the USS *Kitty Hawk*, and one of the 5,000 men assigned to the aircraft carrier was Primitivo Cayabyab, a 36-year-old aviation storekeeper.

Cayabyab met Agustin in October 1983 when he came to his office looking for car insurance, according to FBI reports released to defense attorneys. Agustin asked Cayabyab at that time to provide "old scrap parts lying around" that were destined for disposal, an unglamorous request that Cayabyab complied with by returning with an old T-bracket and "two empty drums," the FBI reports say. It was the beginning of a relationship that later would involve far more exotic parts, investigators say.

For instance, the wiretaps detected Cayabyab and Agustin discussing "videos and payment for those videos." Then, the transcripts show, Agustin mentioned that "they needed five transmissions right now and that they didn't have much time." Cayabyab replied it would take approximately "14 days for

The military supply system is predicated on trust.

delivery."

Authorities say a "constant speed transmission" valued at \$52,000 was among the parts found by agents.

According to the investigative logs, Cayabyab called Agustin at least 14 times during the surveillance and met with him three times. Two of those meetings were at Cayabyab's three-bedroom apartment where walls are decorated with plaques bearing biblical quotations. At one point last May, the transcripts show, the *Kitty Hawk* storekeeper called Agustin to say, "I was worried about you . . . I thought they got you."

ANOTHER NAVY storekeeper, Antonio Rodriguez, also was arrested in the case last summer. Rodriguez, 38, a 16-year service veteran, was assigned to the amphibious assault ship USS *Belleau Wood*. Unlike aircraft carriers, the *Belleau Wood* does not carry F-14 fighters and thus has no F-14 parts. But prosecutors say Rodriguez used his security clearance and access to Navy computers to order parts for the jets.

Federal agents say they listened in as Rodriguez called Agustin to say he "got the torque." (Tracing the call, they say they discovered Rodriguez made it from a phone on board the *Belleau Wood*, berthed at Puget Sound, Washington.) Authorities say the 16 torque actuator rings found in a subsequent Agustin shipment from San Diego were the same ones ordered by Rodriguez on a supply system computer.

Lonn R. Berney, an attorney for the Agustin brothers, says that at the most the government's case is about two men who engaged in an import-export business who were "mistaken" about what they were permitted to send out of the country.

"You've got two legitimate guys who, in the worst scenario, the worst, they were a little careless and mistaken . . . that maybe some of these things shouldn't be shipped," Berney says.

Julie Agustin told a reporter who in-

terviewed her in the San Diego jail that her husband worked for his brother's firm, Merit Communications. "He just told me he has some shop he goes to, like he buys surplus." She said she delivered the boxes to the Federal Express office on her husband's instructions. Asked if she knew what they contained, she replied, "I don't even have any idea."

Prosecutors paint a different picture. When federal agents applied for court authority for the wiretaps on the Agustin's business and home telephones, they told the judge that they believed it would be extremely difficult for an informant to infiltrate the smuggling ring. "It appears that the Agustins, most likely through Julie, seek out prospective conspirators through a Filipino network, the full extent of which is unknown at this time," says the document filed last April.

U.S. ATTORNEY NUNEZ says that the ease with which the Navy supply system was penetrated is worrisome. "I would certainly think the military and defense establishment should be worried about it," he says.

At the Pentagon, James Reay, the deputy director of supply management, says he has seen no indication that the Soviet Union has targeted the military supply system.

"We have seen really no indication of an increased Soviet activity," he says. ". . . the Soviet presence is there. It's always there. And we emphasize particularly the protection of classified material in the supply system. I think if there is any supply officer or supply employee in the Department of Defense who is not aware of the Soviet threat, he's been living in a cave . . . I think our checks in the area of Soviet interest in the supply system are pretty good."

Customs Commissioner William van Raab, whose agents were involved in cracking the San Diego case and have successfully penetrated several other rings of smugglers run by Iran, assesses the potential vulnerability of the U.S. military supply system this way:

"It's a huge logistics operation, and any operation that size will show some vulnerability. But I wouldn't characterize it as vulnerable in the sense that it's sort of an open door for people to come in and take arms. I think that the cases . . . show that people will go after it, but at the same time, I think what's resulted from these cases has been an increased level of vigilance on the part of the military. Any system has to be regarded as vulnerable. It's just a question of how vulnerable." ★