

From [Democracy Now](#) | Original Article

In a major new exposé, The Intercept has revealed that the Justice Department is investigating Blackwater founder Erik Prince for possible money laundering, ties to Chinese intelligence, and attempts to broker military services to foreign governments. Prince is currently the chairman of Frontier Services Group, an aviation and logistics firm specializing in shipping in Africa. But documents obtained by The Intercept show that Prince has also set up shell companies to offer paramilitary services to at least a half-dozen African nations, including Libya. Both the United States and the United Nations have imposed a series of restrictions on military dealings in Libya. Prince is also suspected of attempting to open Chinese bank accounts to move money for his Libyan associates. As part of its investigation, The Intercept obtained an internal slide presentation showing Prince's private force would operate in Libya for the stated purpose of stopping the flow of refugees to Europe. Prince has also long been interested in raising a private military force to battle Islamic militant groups in a variety of countries. We spend the hour with The Intercept's Jeremy Scahill and Matthew Cole, the reporters behind "Erik Prince in the Hot Seat." "In a lot of ways, Erik Prince is like a Mafia don," Scahill says. "He has been able to avoid any criminal charges against him personally for activities that his companies have engaged in. ... Whether or not the U.S. government will actually seriously go after him is still to be seen." Scahill is the co-founder of The Intercept and author of the best-seller, *Blackwater: The Rise of the World's Most Powerful Mercenary Army*. His most recent book, *Dirty Wars: The World is a Battlefield*, is out in paperback, and his film "Dirty Wars" was nominated for an Academy Award.

JUAN GONZÁLEZ: In a major new [exposé](#), *The Intercept* has revealed that the Justice Department is investigating Blackwater founder Erik Prince for possible money laundering, ties to Chinese intelligence and attempts to broker military services to foreign governments. Prince is currently the chairman of Frontier Services Group, an aviation and logistics firm that specializes in shipping in Africa. But documents obtained by *The Intercept* show that Prince has also set up shell companies to offer paramilitary services to at least a half-dozen African nations, including Libya. Both the U.S. and the United Nations have imposed a series of restrictions on military dealings in Libya. Prince is also suspected of attempting to open Chinese bank accounts to move money for his Libyan associates. A former intelligence official told *The Intercept*, quote, "Money laundering for Libyan officials using a Chinese bank—that is the issue that pushed it over the edge."

AMY GOODMAN: As part of its investigation, *The Intercept* obtained an internal slide

presentation showing Erik Prince's private force would operate in Libya for the stated purpose of stopping the flow of refugees to Europe. Libya is one of the main routes for migrants trying to enter Europe from eastern Africa and parts of the central Sahel region. Prince has also long been interested in raising a private military force to battle Islamic militant groups in a variety of countries.

The Intercept also reports on internal proposals drafted by Prince and his team for a project code-named Project November aimed at confronting the theft of Nigerian oil, providing VIP protection for Nigerian officials and engaging in counterinsurgency activities.

For more, we're joined by the reporters who broke the story: Jeremy Scahill and Matthew Cole. They're co-authors of the new [piece](#) for *The Intercept* headlined "Erik Prince in the Hot Seat: Blackwater's Founder is Under Investigation for Money Laundering, Ties to Chinese Intel, and Brokering Mercenary Services." Jeremy Scahill is co-founder of the

The Intercept

. His forthcoming book is called

The Assassination Complex: Inside the Government's Secret Drone Warfare Program

. His most recent book,

Dirty Wars: The World is a Battlefield

, is out in paperback, and

Dirty Wars

was nominated for an Academy Award. He's also author of

Blackwater: The Rise of the World's Most Powerful Mercenary Army

. And we're also joined by Matthew Cole, the national security reporter for

The Intercept

.

We welcome you both to *Democracy Now!* Matthew, let's begin with you. Talk about how you learned and what you found reasons for Erik Prince right now in the hot seat.

MATTHEW COLE: Well, we began with—you know, as I think all good investigative journalism does, with sourcing and tips about what Erik Prince was up to on the continent of Africa. And so, over the last year or so, we've been hearing about Erik Prince's trips and efforts in various countries to try to sell Blackwater-like services to countries that had insurgencies or instability, anywhere that they could get foreigners on the ground to fight Islamic rebels, essentially. And eventually we were able to review a series of documents that show what Prince and a small group of cohorts were trying to do.

And what we found was pretty alarming in terms of a U.S. citizen, a private U.S. citizen and no longer really associated with the U.S. government, going around to countries and trying to exploit either their problems or their fears to present a—what they call turnkey solutions, which is a full spectrum of military services, intelligence, so that the countries that would potentially buy these proposals basically have to do nothing other than write a check, and he would be able to bring in everything from spy airplanes to paramilitary operatives on the ground and his own, you know, personal spying force and hunter killers, if you will. You know, so far, what we've found is that no one has purchased his services, but it didn't stop him from trying and continuing to try to provide those things to as many countries as he—anywhere he could and could see a business opportunity.

JUAN GONZÁLEZ: And what about this company that he has been involved with recently, because obviously he supposedly sold out all of his interests in Blackwater years ago? What is this company, and what is its connection to the Chinese?

MATTHEW COLE: Well, he is the chairman of a company called FSG, Frontier Services Group, and that is a publicly traded company in Hong Kong with—that does aviation and logistics, primarily in Africa. And what we understand is that—and what the documents show is that what Erik Prince did was he used his position as the chairman of this publicly held company to gain legitimate access to meetings with African government officials. So he would—it would allow him to enter the country, come into the room and offer, say, infrastructure or logistics contracts. And then what he would do is he would present his own ideas of what the country needed, and those were services that the company that he was a chairman for, FSG

, was not able to provide—and without the knowledge of the company itself. They had no idea that he was walking around bringing these proposals in for armed foreigners, for weaponized vehicles, for surveillance aircraft—things that the company that he was chairman for literally didn't have licenses for and didn't have equipment. They didn't—they didn't have it. And that's where you start to see the discrepancy between what he was trying to do versus what—what he appeared to be doing when he arrived in the country versus what he was actually providing. And that was cause of a major concern for the company, and they then went about a series of things to try to separate themselves from their own chairman. And that's where we stand today.

AMY GOODMAN: Now, Jeremy, you've spent years investigating Erik Prince. You wrote your first book, *Blackwater: The Rise of the World's Most Powerful Mercenary Army*. Explain who he is, his background, and why all of this matters today.

JEREMY SCAHILL: Right. Well, you know, Erik Prince comes from a very wealthy family in the state of Michigan. His father, Edgar, ran a very successful business making auto parts. In fact, his dad invented the lighting system on the drop-down visors in a car, where the—you know, you pull the visor down, and a light goes on. And that company was really the lifeblood of the community of Holland, Michigan, which is a pretty conservative, Dutch Reformed section of the state of Michigan. And his dad was, in many ways, sort of the king of Holland, Michigan. And his mother is a—I mean, I don't know how to say this other than just a fanatical, right-wing extremist, who now is one of the major funders of basically trying to stop gay people from marrying around the country. But his father was a very beloved figure, Erik Prince's, in Michigan, built up this very successful company, and then he died at a pretty young age of a heart attack. He dropped dead in the elevator of his building. And eventually, his wife, or his widow, and the kids decided that they were going to sell the company. So they actually sold it to Johnson Controls in Wisconsin for \$1.3 billion, and a part of that money, Erik inherited.

And Erik, you know, very much had daddy issues. He wanted to impress his father and actually—and live up to his father's reputation. And he did something that, you know, many—not many children of the ultra-wealthy do: He joined the military. And he did a brief stint in the Navy SEALs and then, ultimately, in the late '90s, started what was envisioned originally as a law enforcement training center and shooting range, the Blackwater Training Center. And among the things that they did was they built a mock high school to try to, you know, train law enforcement officials on how to deal with Columbine-like shooting scenarios. They also—because of the bombing of the *USS Cole* off the coast of Yemen in 2000, one of the early contracts Blackwater got was to train sailors and other military personnel on how to defend against a small boat attack against their larger vessels.

And then 9/11 happens. And, in fact, Erik Prince was interviewed on Fox News, on *The O'Reilly Factor*

about the 9/11 attacks, and he said that, you know, before 9/11, his business was relatively small and focused on training, and he commented that his phone was ringing off the hook. And among the people that he communicated with in the early stages of post-9/11 reality was a guy who was the executive director at the Central Intelligence Agency named Buzzy Krongard, who was an old friend of Erik's father. And it's sort of a chicken-and-egg question of who came up with the ideas—and Matthew and I both reported on this over the years—but what ended up happening, to make a long story short, is that Erik Prince began providing retired special operations personnel to the U.S. government as a sort of private force that would serve a dual function for the CIA

and other agencies. They could deploy these guys without claiming—if they got killed, without claiming—having to claim the fact that U.S. personnel were dying in war zones, but also it gave an incredible flexibility to the Bush-Cheney administration for deniability.

And so, essentially, Erik Prince wanted to—he wanted to join the CIA and was unable to clear the process of it. I mean, there's different stories as to why Erik Prince did not actually become a CIA operative, but he basically then set out to create his own sort of small, privatized version of like a special access program for the CIA. And a number of veterans of the CIA's paramilitary operations, people like Enrique "Rick" Prado, who was a paramilitary operative in Latin America, and others, ended up coming over and working with Blackwater on this program. And they operated in a variety of countries around the world, not only bodyguarding the CIA and U.S. officials in Iraq and elsewhere—they were sort of the Praetorian Guard for the occupation of Iraq, guarding Paul Bremer—but they also were involved with the Hunter-Killer program.

And so, Erik Prince largely existed in the shadows until the killing of the four Blackwater operatives in the city of Fallujah in March of 2004, where they were hacked to death and then strung up from a bridge. And Erik Prince really took that opportunity of his company being in the news to really make his presence known on Capitol Hill with Republicans. And he worked with very high-powered Republican lobbyists. He has a very close personal relationship with the Cheney family. And Prince basically became a hero within national security circles in the Republican administration at the time and on Capitol Hill. And that led to very, very large contracts and also contracts with the CIA around the world.

And, you know, Matthew and I talked to several former CIA officers who were saying very critical things about what Erik Prince is doing right now, but all of them said, "You know, look, at the end of the day, he—they kept us safe in these operations." I mean, two Blackwater guys were killed when Forward Operating Base Chapman was attacked by this triple agent from Jordan and blew up a number of CIA—pretty senior CIA people on Afghanistan. And two Blackwater guys got killed in that operation.

So, you know, Erik Prince then basically viewed himself as having been thrown under the bus by Leon Panetta when he became CIA director. And, you know, some of what Panetta did, I think, was disingenuous. You know, Panetta runs over to Congress very early on in his tenure at the agency and briefs the Intelligence Committee on what he said was basically an inactive assassination program that Blackwater was at the center of, and then tells the members of the Intelligence Committee that they had shut it down. And, you know, what it—I talked to people on the Intelligence Committee at the time, and what it seemed like is that Panetta basically was trying to deal with the fact that there was all the torture and sort of extrajudicial activity by the agency—they would say it was judicial activity, because they had all these memos allowing

them to torture and stuff. But basically, Panetta tried to put all the garbage on Erik Prince and Blackwater and flush it down the toilet. And so, at that point—

AMY GOODMAN: Of course, there was Nisoor Square.

JEREMY SCAHILL: And then the Nisoor Square massacre happened in September of 2007. And, you know, I would say that the Fallujah incident brought Blackwater to sort of fame and prominence in the world, and then Nisoor Square brought it to infamy, when they killed 16 civilians in a crowded Baghdad traffic stop. And there—some of the Blackwater guys that did that ultimately were prosecuted and were sentenced to decades in prison, one of them to life in prison.

And so, anyway, but to bring it to the present, Erik Prince continued, actually, to get contracts under the Obama administration, while the Justice Department was investigating Blackwater and the other affiliated companies that Erik Prince owned for a wide range of defense control violations, where they were offering services to the government in South Sudan or other nations without having obtained the proper licensing from the State Department. And in some cases—and, you know, Blackwater admitted to doing this—the State Department would say, "Well, explicitly, we don't want you to do that, and we don't give you permission to do this," and then they would go and do it anyway. But no one—Erik Prince was never—no charges were ever brought against him personally.

JUAN GONZÁLEZ: Well, how did that happen? Was that just a question of one agency in the government not knowing what the other was doing, or was that—was that greenlighted higher up in the administration?

JEREMY SCAHILL: Well, I don't think that there was—I don't think there was political pressure put on the prosecutors in that case. I think it was a different sort of—it was a beast of a different nature. You know, Matthew and I talked to one of the very senior people involved with that prosecution, and he said, "Look, we've got an overwhelming abundance of evidence indicating that this company has committed systematic criminal violations of our defense restrictions, that are in place for our own national security, so that we're not exporting these things to people that potentially could do harm to the U.S. or its interests. And while we're trying to bring this criminal case, the Obama administration and Secretary Hillary Clinton are giving them more contracts. So how do we go in front of a jury and say this is a criminal enterprise, but the new Democratic president and his secretary of state are continuing to award them contracts?" So, basically, they

said, "Well, all we really could do was to figure out a way to get Prince to leave those companies as the head and the chief controller of them, and then just levy massive fines against them."

AMY GOODMAN: Now, Erik—

JEREMY SCAHILL: So they paid around \$50 million in fines, and then they were able to reconstitute themselves.

AMY GOODMAN: When Blackwater was being investigated and you were putting a lot of pressure through your investigations, Erik Prince left the country.

JEREMY SCAHILL: He—yeah, well, he's always maintained a residence in Virginia. He did relocate to Abu Dhabi in the United Arab Emirates and started up a number of other companies. And that became very controversial when his plan for a private security force for the—for several Emirati governments came to public light. And, you know, one of the reasons why—you know, remember, this is—the uprisings start in 2011 in the Arab world, and those governments were very nervous. You know, these corrupt monarchies were very nervous that their own status would be—would be confronted, you know, in control of these countries. And Erik Prince was viewed as a guy who could potentially provide them with non-Muslim private soldiers that could, you know, tamp down any rebellion in those countries. And, you know, we understand that Erik Prince fell out of favor in Abu Dhabi and then started looking elsewhere and found himself in negotiations with people with deep connections to the Chinese Communist Party.

JUAN GONZÁLEZ: Well, I wanted to turn to comments that Erik Prince made in 2014 about the self-proclaimed Islamic State. This is Prince on Fox News responding to host Bill O'Reilly's proposal to fight the Islamic State with mercenaries.

ERIK PRINCE: The U.S. military has mastered the most expensive way to wage war. They've proven that in Iraq and Afghanistan. They haven't been that effective there. So finding a cheap, sustainable way that you can keep presence into these areas, to keep pressure on Islamists, to keep—to support friends and be that long-term dwell is about the only way you're going to do it. It's as part of American history as apple pie.

JUAN GONZÁLEZ: What about that, Jeremy? A more efficient—a more efficient way to do things?

JEREMY SCAHILL: Yeah, I mean, Erik Prince always said that, you know, if you want a package to arrive somewhere, you don't send it through the U.S. Post Office, you use FedEx. And he sort of views his—himself as basically offering the CIA, the Defense Department, the State Department FedEx services that are actually lethal, and not delivering packages, but the package in question would be, you know, either deniable assets or the provision of what are essentially mercenaries that you don't have to count as your fallen in a war zone or you don't have to own if they commit misconduct that you wanted them to commit.

JUAN GONZÁLEZ: And there's also the issue, though, of the accountability then, because it's no longer a government operation, but it's these private outfits, as well.

JEREMY SCAHILL: Yeah, I mean, soldiers are subjected to the Uniform Code of Military Justice. And until very recently, these kinds of private military contractors existed in a total gray zone, where it was unclear—should they be prosecuted under the UCMJ, or do they go into civilian courts? And that's why you saw so few of these guys actually prosecuted for anything.

AMY GOODMAN: You know, Erik Prince subsequently spoke at an event for donors to the Maverick PAC, a conservative group with ties to the Bush dynasty, and claimed Blackwater, now Academi, could stop the Islamic State. He said, quote, "It's a shame the [Obama] administration crushed my old business, because as a private organization, we could've solved the boots-on-the-ground issue, we could have had contracts from people that want to go there as contractors; you don't have the argument of U.S. active duty going back in there." Matthew Cole, respond to that and then this broader relationship right now—it's not Academi, it's not Blackwater; you can talk about the latest incarnation—and why China matters to the U.S. in this investigation.

MATTHEW COLE: I think, first, the issue about what mercenaries bring or what an American company brings to the table is—from the standpoint of democracy, is accountability and transparency. War is one of the most, if not the most, important thing that a nation-state, and especially a democracy, engages in abroad, certainly. And so, it's of the utmost seriousness

that the—you know, the government, the people who elected that government have some kind of understanding of who in their country—who represents them abroad and what they're doing.

And what Blackwater, what Erik Prince provides—on one hand, he's not wrong. Right? He has—they are very effective. They are very efficient, I should say, in providing the services that they offer. But the question is, is without accountability or transparency, what do they get away with? When things go wrong, what is the recourse? And what Blackwater has shown historically is that there is very little recourse for when things go wrong. And so, it's a very, very dangerous weapon or tool, if you will, to have Erik Prince or have a mercenary organization operating.

And what he's done now is, by leaving the U.S. government and going and doing it on his own, he has separated—there's even less connection between accountability and transparency, because the—he's offering his services directly to foreign countries. When things go wrong or when they want to hide, it didn't happen. It's a plausible deniability, is a lot of what happens for governments that would hire his services.

And so, when you bring in the notion of his business ties to China, the issue is—you know, obviously the United States has a very complicated relationship with China, but one of the things that's certainly going on is that, at least on the defense side, whether it's cyberwarfare, whether it's, you know, out—Pacific growth and reach by the Chinese government in the Pacific region, what you have is kind of a stalemate and a bit of a cold war going on. And the concern would be for Erik Prince to be getting in bed with—and certainly, he is an appealing figure for the Chinese government, right? He has a lot of expertise. He has an idea of how to—and the ability to go into—in small groups, to go into countries where China may have, for instance, natural resource interests in Africa. Certainly, you know, their investment in the infrastructure in Africa has been massive, as a way to sustain their economy and their growth. And what he is providing them is the ability to protect their investments in places.

And certainly, that would be a concern, and we know it's a concern, for the Department of Justice. We know it's a concern for U.S. intelligence agencies. And again, at the heart of it is accountability and transparency. He's a U.S. citizen. He is still subject to U.S. law. And so, you know, we don't—I think there's—at this point, the question is whether any of what he has done thus far has violated U.S. law or U.S. regulations.

AMY GOODMAN: You asked his lawyer if he's being investigated?

MATTHEW COLE: Yeah, we asked his lawyer—

AMY GOODMAN: Victoria Toensing?

MATTHEW COLE: Yes, we asked his lawyer if he's been notified of an investigation.

AMY GOODMAN: Remember, you can't curse on the air. What did she respond?

MATTHEW COLE: And she—well, her response was—

AMY GOODMAN: Be careful.

MATTHEW COLE: —that neither she nor her client had been notified of an investigation by the Department of Justice. So that was her—

AMY GOODMAN: But she did say it was "total [BS]."

JEREMY SCAHILL: Well, I mean, what—well, her—

MATTHEW COLE: She said that the—her exact response on that was—

AMY GOODMAN: Don't give it exactly.

MATTHEW COLE: No, no, no, but it was in response to a question about money laundering. In fact, over three days of communication, many of the things that we initially submitted to Mr. Prince, her story changed, and her response for her client changed.

JEREMY SCAHILL: Yeah.

MATTHEW COLE: And so, it's actually a little unclear. We can't give one concise answer as to whether she denied certain things. In fact, she denied certain things and then moved back. So, certainly, I think they recognize that a lot of what we presented in the story is quite accurate.

JEREMY SCAHILL: Well, and she—Victoria Toensing is a very well-known Republican commentator and lawyer. And, you know, she and her husband both are attorneys that have represented a lot of interests for the pretty far-right elements of the GOP. But she's also one of the main people that you see going after Hillary Clinton for Benghazi. And when we first spoke to her, she was like indignant at what we were saying that we had evidence on for Prince. But over the course of several days, it went from "He has no idea what you're talking about" to "Oh, yes, he did actually open up a bank account at Bank of China, but it was for a company." And, "Oh, was it for Frontier Services Group?" "I'm not going to tell you what company it was for." We asked Frontier Services Group. "It's not our bank account." "OK, well, what's the bank account for?" You know, and she said, "Well, I don't know. I can't—now I can't reach my client." "What about his meetings with Chinese intelligence?" "He has no idea what you're talking about." Then, the next time, when we give her more detail on it, she says, "Oh, well, he did meet with them, but it was actually about medevac services." So, you know, it's this evolving thing, and it felt a little bit, I think, to us like a dry run for an alibi for all of these things that we're reporting on.