

ERIK PRINCE, SANCTIONS, AND MINERAL WEALTH

Let me start by laying out a few details about Erik Prince that have been reported of late.

- Prince recently gave a speech I interpreted as a proposal for private contractors to serve as big oil's enforcer—including in Nigeria and Iran
- Blackwater illegally tried (but allegedly failed) to negotiate a deal to train guards for southern Sudan; as part of the deal, Blackwater would be paid with 50% of Sudan's mineral wealth
- The US is close, again, to not prosecuting Blackwater and instead simply fining it for that illegal contracting attempt and other export control violations
- Anonymous sources say (but his spokesperson will not confirm) that Erik Prince will move to the United Arab Emirates, which has no extradition treaty with the US, claiming he would be leaving the US market altogether
- He also announced he was

selling the company—though you gotta wonder how the reported fine will play into the sale

- For its part, Blackwater just signed new deals with the State Department and CIA for work in Afghanistan, which has been recently touted for its mineral wealth
- When asked about the new CIA Blackwater contract, Leon Panetta explained that CIA has reviewed all of BW's contracts and that for this one, BW simply underbid other bidders
- Facing a veto threat from the Obama Administration, DiFi has all but dealt away Congress' demand that GAO be able to audit intelligence related programs—including things like fraud in black ops contracts (more on that later)

Now, as I pointed out in my post on Prince's reported move to UAE, his move followed that of Halliburton. Given the McClatchy report on the fairly extensive list of alleged export and Foreign Corrupt Practices Act crimes Blackwater had committed, I could imagine that Prince might move for precisely the same reason Halliburton may have—to avoid being held responsible for bribing foreign officials and violating sanction regimes (Halliburton faced its own FCPA charges when it moved to UAE).

Here's what Blackwater was up to in Sudan:

After negotiating a \$2 million draft contract to train Kiir's personal security detail, Blackwater in early 2007 drafted a detailed second proposal, valued at more than \$100 million, to equip and train southern Sudan's army. Because the south lacked ready cash, Blackwater sought 50 percent of its untapped mineral wealth, a former senior U.S. official said.

In addition to its well-known oil and natural gas reserves, southern Sudan has vast untapped reserves of gold, iron and diamonds.

"Most people don't know this stuff exists. These guys did," said a second former senior official who saw the document, which apparently was never signed.

Ultimately, though, Blackwater's venture in Sudan foundered, U.S. officials said.

"Blackwater had some problems in Iraq," said Deng Deng Nhial, the deputy chief of southern Sudan's Washington office. "Nothing really materialized. No services were performed."

Federal investigators, however, found evidence that Blackwater's sales campaign had violated U.S. sanctions, export control laws and the Foreign Corrupt Practices Act, which is designed to prevent U.S. companies from bribing foreign officials in return for business, according to the officials and documents.

The suspected violations included brokering for defense services without a U.S. government-approved license; transferring satellite phones and encrypted e-mail capabilities to southern Sudanese officials; and

attempting to open a joint escrow account with the South's government at a Minnesota bank.

So now you've got Prince, the guy who set up our Black Ops contractor, located in the Persian Gulf, with no way to prevent him from violating the US' own laws about corruption and sanctions. Prince says he's done working with the United States, and maybe he's done working directly with the US. Or maybe not. But we do know he's got aspirations to work with both US allies and enemies.

Prince is also, apparently, interested in being paid in mineral resource exploitation, rather than cash. I guess the Persian Gulf is a good place to try that business model. Though look at how he described his proposal to work in Nigeria:

Prince also proposed using private armed contractors in the oil-rich African nation of Nigeria. Prince said that guerilla groups in the country are dramatically slowing oil production and extraction and stealing oil. "There's more than a half million barrels a day stolen there, which is stolen and organized by very large criminal syndicates. There's even some evidence it's going to fund terrorist organizations," Prince alleged. "These guerilla groups attack the pipeline, attack the pump house to knock it offline, which makes the pressure of the pipeline go soft. they cut that pipeline and they weld in their own patch with their own valves and they back a barge up into it. Ten thousand barrels at a time, take that oil, drive that 10,000 barrels out to sea and at \$80 a barrel, that's \$800,000. That's not a bad take for organized crime."

I'm guessing that's not the first time he did

that math...

Now add in the fact that the Obama Administration refuses to allow GAO to audit intelligence community entities—precisely the kind of independent oversight that might discover abuse of the use of contractors.

I'm not saying this is what's happening. But if I were a big spook, I'd love to have someone with the skill set of Prince, off in a haven protected from American law, setting up an entity that can do what Blackwater does but do so with neither the legal oversight (as if that did us a damn bit of good) nor the requirement to be paid in cash. Think about what you could do with a contractor that could evade Iran sanctions (and perfect timing, too!) or provide special ops capabilities in ways that tied countries—and their mineral wealth—more closely to US policy objectives.

Update: Fixed bullet point on Prince's move to UAE and related references to reflect Mark Corallo's refusal to confirm it.