

# The Scrutinizer Finds Himself Under Scrutiny

BY T. CHRISTIAN MILLER

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TIMES STAFF WRITER

WASHINGTON —

When Joseph E. Schmitz took over as the Pentagon's inspector general in 2002, the largest watchdog organization in the federal government was under fire for failing to fully investigate a senior official, falsifying internal documents and mistreating whistle-blowers. He publicly pledged to clean it up.

Three years later, similar accusations now surround Schmitz.

***For the record:***

***12:00 a.m. Sept. 30, 2005 For The Record***

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*Pentagon watchdog -- An article in Sunday's Section A about former Inspector General Joseph E. Schmitz misspelled the first name of his son, Philip J. Schmitz, as Phillip.*

Schmitz slowed or blocked investigations of senior Bush administration officials, spent taxpayer money on pet projects and accepted gifts that may have violated ethics guidelines, according to interviews with current and former senior officials in the

inspector general's office, congressional investigators and a review of internal e-mail and other documents.

Schmitz also drew scrutiny for his unusual fascination with Baron Friedrich Von Steuben, a Revolutionary War hero who is considered the military's first true inspector general. Schmitz even replaced the official inspector general's seal in offices nationwide with a new one bearing the Von Steuben family motto, according to the documents and interviews.

The case has raised troubling questions about Schmitz as well as the Defense Department's commitment to combating waste, fraud and abuse of taxpayers' money, especially in politically sensitive cases.

Schmitz comes from a family that is no stranger to controversy. His father was the ultraconservative Orange County congressman John G. Schmitz, who once ran for president but whose political career ended after he admitted having an affair with a German immigrant suspected of child abuse. Schmitz's sister is Mary Kay Letourneau, the Washington state teacher who served more than seven years in prison after a 1997 conviction for rape after having sex with a sixth-grade pupil with whom she had two children. After Letourneau's release from prison, she and the former pupil, now an adult, married each other.

Schmitz, who resigned on Sept. 10 to take a job with the parent company of defense contractor Blackwater USA, is now the target of a congressional inquiry and a review by the President's Council on Integrity and Efficiency, the oversight body responsible for investigating inspectors general, according to the documents and interviews.

"I've seen this office become involved in many questionable projects despite strong and persistent opposition from senior staff," said Sen. Charles E. Grassley (R-Iowa), chairman of the Senate Finance Committee, whose office is pursuing complaints about Schmitz. "It appears to me that this has created a lack of respect and trust, and has resulted in an ineffective Office of the Inspector General."

In a brief response to written questions, Schmitz said it had been "an honor to serve the American people as inspector general of the Department of Defense." He listed a series of accomplishments, from eliminating three layers of management to establishing a "new mission, vision and core values."

Without giving specifics, Schmitz also said that some of The Times' questions "appear to include false or misleading assumptions and/or law enforcement sensitive information." He directed further inquiries to the inspector general's office, which declined to answer the questions.

Schmitz's allies said he was being persecuted. One senior Pentagon official defended Schmitz by saying that he was concerned about protecting the reputation of senior officials in Washington, where political enemies can cause trouble with an anonymous hotline tip.

At a ceremony earlier this month, acting Deputy Defense Secretary Gordon R. England presented Schmitz with a distinguished public service award for "inspiring a culture of integrity, accountability and intelligent risk-taking." The White House said his five years in the Navy and 18 years as a reservist qualified him for the job.

Current and former colleagues described Schmitz, a former attorney for the Washington law firm Patton Boggs, as an intelligent but easily distracted leader who seemed to obsess over details.

They described a management style in which Schmitz asked for updates on personal projects -- such as a new bathroom in his executive suite or the hiring of a speechwriter -- while avoiding substantive issues such as tight budgets. Schmitz never won approval for the bathroom or the speechwriter.

He paid close attention, however, to the investigations of senior Bush administration appointees. At one point, investigators even stopped telling Schmitz who was under investigation, substituting letter codes for the names of individuals during weekly briefings for fear that Schmitz would leak the information to Pentagon superiors, according to a senior Pentagon official.

"He became very involved in political investigations that he had no business getting involved in," said another senior official in the inspector general's office.

The Times has previously reported on Grassley's allegations that Schmitz intervened in investigations of senior Bush officials. A review of e-mail messages and documents provides new details.

One case involves John A. “Jack” Shaw, a deputy undersecretary of Defense accused by whistle-blowers in Iraq of directing a lucrative telecommunications contract to a company whose board members included friends. Shaw has denied wrongdoing. His attorney did not respond to a request for comment.

Schmitz, who had signed an unusual agreement giving Shaw limited investigative powers, sent the case to the FBI over the objections of his own investigators and then blocked them from assisting the FBI, according to interviews and e-mails obtained by The Times.

“It’s a safe bet you can bury something at the FBI, because they won’t have time to look at it,” said one Pentagon official.

After the publication of Times articles about the accusations leveled at Shaw, Schmitz helped to draft a press release in August 2004 that appeared to exonerate Shaw. The release said that Shaw “is not now, nor has he ever been, under investigation by the [Department of Defense inspector general].”

Schmitz’s own staff strenuously objected. Chuck Beardall, head of the agency’s criminal investigative service, said the release was “dead wrong and needs to be removed ASAP. Failure to do so reflects poorly on the DOD’s and our integrity,” according to an Aug. 13 e-mail.

But Schmitz told an assistant, Gregg Bauer, that he was inclined to “let the sleeping dog lie.”

“We did the right thing by recommending a less-inclined-to-misinterpretation” version of the press release, Schmitz wrote in an e-mail response.

When confronted later by congressional staff about the accuracy of the release, Schmitz told the Senate Armed Services Committee in August 2004 that the release was “technically correct.” But this year, when asked again, he acknowledged that the release was “inaccurate.” The Department of Defense has also acknowledged that the information in the press release “may not have been accurate.”

Another case in which Schmitz intervened came when the inspector general’s office began examining the jobs received by Pentagon officials who left for the private

sector, according to another U.S. official, who also declined to be identified because of the sensitivity of the issue.

One of those on the list was Edward “Pete” Aldridge, the former Pentagon procurement chief who took a job with defense contractor Lockheed Martin. Schmitz would not sign a subpoena allowing investigators to examine employment documents, the official said.

Instead, the official said that Schmitz created a new policy that made it more difficult to get information by subpoena by requiring additional bureaucratic steps. During his tenure, Schmitz also made it harder to initiate an investigation of a political appointee, requiring high-ranking approval before investigators could proceed.

A Lockheed Martin spokesman confirmed the company had received a request that the firm “voluntarily provide” information regarding Aldridge. It said it had “promptly and fully” responded to the request.

Among other complaints about Schmitz, several senior officials also said he did not aggressively pursue more funds for the agency. Although the Defense budget jumped almost 30% between 2002 and 2005, the number of agents in the inspector general’s office increased only 7%, from 307 to 329, according to department statistics. Investigations into procurement, healthcare fraud and environmental crimes have declined precipitously as agents focused on terrorism-related inquiries.

Some of the more unusual complaints regarding Schmitz deal with what senior officials called an “obsession” with Von Steuben, the Revolutionary War hero who worked with George Washington to instill discipline in the military. Von Steuben reportedly fled Germany after learning that he was going to be tried for homosexual activities.

Shortly after taking office, Schmitz made Von Steuben’s legacy a focus. He spent three months personally redesigning the inspector general’s seal to include the Von Steuben family motto, “Always under the protection of the Almighty.”

He dictated the number of stars, laurel leaves and colors of the seal. He also asked for a new eagle, saying that the one featured on the old seal “looked like a chicken,” current and former officials said.

In July 2004, he escorted Henning Von Steuben, a German journalist and head of the Von Steuben Family Assn., to a U.S. Marine Corps event. He also feted Von Steuben at an \$800 meal allegedly paid for by public funds, according to Grassley, and hired Von Steuben's son to work as an unpaid intern in the inspector general's office, a former Defense official said.

He also called off a \$200,000 trip to attend a ceremony at a Von Steuben statue earlier this year in Germany after Grassley questioned it.

Finally, Schmitz's son, Phillip J. Schmitz, has a business relationship with a group tied to Von Steuben. Schmitz, who runs a technology firm, provides web-hosting services for the World Security Network, a nonprofit news service focused on peace and conflict issues. Von Steuben serves on the network's advisory board.

Hubertus Hoffmann, a German businessman who founded the network, said Von Steuben played no role in assigning the contract to Phillip Schmitz, who is paid a "modest sum" for his work. Schmitz said he first made contact with Hoffmann through his father but that he had never met Von Steuben.

The relationships troubled many at the Pentagon.

"He was consumed with all things German and all things Von Steuben," said the former Defense official, who did not want to be identified because of the ongoing inquiries. "He was obsessed."

At Grassley's request, the President's Council on Integrity and Efficiency, the inspector general oversight body, is reviewing two occasions when Schmitz accepted gifts, one involving plane tickets on Asiana Airlines and a second when he accepted baseball tickets to a Washington Nationals game.

On both occasions, Schmitz said that he had had the gifts approved by an ethics officer.

Still, Grassley said the gifts raised concerns.

“As the watchdog of our federal agencies, inspectors general must be held to a higher standard,” Grassley said in a statement. “They must always set an example of excellence and must be beyond reproach.”

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## **US: Pentagon's Top Watchdog Resigned Amid Claims of Stonewalling Inquiries**

**The resignation comes after Sen. Charles E. Grassley sent Defense Department Inspector General Joseph E. Schmitz several letters informing him that he was the focus of a congressional inquiry.**

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| By  
T. Christian Miller  
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WASHINGTON - The Pentagon's top investigator has resigned amid accusations that he stonewalled inquiries into senior Bush administration officials suspected of wrongdoing.

Defense Department Inspector General Joseph E. Schmitz told staffers this week that he intended to resign as of Sept. 9 to take a job with the parent company of Blackwater USA, a defense contractor.

The resignation comes after Sen. Charles E. Grassley (R-Iowa) sent Schmitz several letters this summer informing him that he was the focus

of a congressional inquiry into whether he had blocked two criminal investigations last year.

Grassley, chairman of the Finance Committee, accused Schmitz of fabricating an official Pentagon news release, planning an expensive junket to Germany and hiding information from Congress. Schmitz is the senior Pentagon official charged with investigating waste, fraud and abuse.

"I am writing to inform you that I intend to conduct an oversight investigation into allegations that you either quashed or redirected two ongoing criminal investigations last year," Grassley said in a July 7 letter obtained by The Times.

Grassley's office said Friday that the inquiry was continuing.

"Many questions need to be answered," spokeswoman Beth Levine said. Grassley has long acted as a watchdog over the inspector general.

The inspector general's office denied any connection between Schmitz's resignation and the inquiries, saying Schmitz had previously said he intended to leave after President Bush's first term.

A Schmitz spokesman, Gary Comerford, declined to comment on the allegations in Grassley's letters, saying: "This is a matter between the senator and the inspector general."

The first of the criminal investigations in which Schmitz allegedly intervened involved John A. "Jack" Shaw, the former deputy undersecretary of Defense for international technology security.

Shaw, who was the subject of a series of articles in The Times last year, tried to manipulate a lucrative contract in Iraq in 2004 to favor a telecommunications company whose board included a close friend, according to whistle-blowers who worked for the U.S.-led Coalition Provisional Authority in Iraq.

Shaw had signed an unusual agreement with Schmitz that gave him some investigative authority. Shaw told U.S. officials in Iraq that he was conducting investigations under that agreement during a trip to Iraq in December 2003. The results of those investigations were later used in his effort to push for contracts of firms tied to his friends and their clients, according to the whistle-blowers.



Shaw, who was forced out of office last year after refusing to resign, has denied any wrongdoing.

Schmitz referred the whistle-blowers' accusations to the FBI, despite the protests of senior criminal investigators in his office who had already found "specific and credible evidence" of wrongdoing by Shaw, according to Grassley's letter.

The FBI has not placed a high priority on the investigation, which has since stalled, according to one person with knowledge of the case.

Schmitz then helped craft a news release in which his office denied ever investigating Shaw, according to Grassley's letter. Grassley has repeatedly asked for an explanation of the news release, most recently in a letter Aug. 8.

"A formal investigation was conducted. The investigation was, in fact, completed and closed and referred to the FBI. How do you square that information with the press release?" Grassley wrote to Rumsfeld on July 27. "There is a paper trail that appears to show that Mr. Schmitz was personally and directly involved in crafting the language in this press release. And second, I understand that Mr. Schmitz was repeatedly warned by his own staff 'to take it down' because it was 'patently false.' "

The second investigation in which Schmitz allegedly interfered involves Mary L. Walker, the general counsel for the Air Force.

Grassley said in the July 7 letter that the information he had was "sketchy" but that the accusation appeared to involve Walker "lying under oath," possibly during investigations of either the Air Force Academy or Boeing Co.

The Air Force Academy has been rocked by controversies in the last few years, including allegations of the rape of female cadets. Separately, an Air Force procurement officer was sentenced to nine months in jail after receiving favors from Boeing officials during the negotiation of a \$23-billion deal to lease refueling planes.

Grassley wrote that senior criminal investigators had "specific and credible evidence" regarding Walker but that the case was "allegedly shut down for unexplained reasons and possibly referred to the FBI." Grassley's letter said Schmitz was a "personal acquaintance" of Walker.

The Air Force said Friday that Schmitz's office had cleared Walker of

wrongdoing.

Walker could not be reached for comment.

"Ms. Walker's conduct was looked at by the [Department of Defense inspector general] and ... no negative findings were made," said Air Force spokeswoman Jennifer Stephens.

Grassley also expressed concern that Schmitz had withheld information from Congress on the Boeing investigation. Schmitz was criticized this year for redacting the names of top White House officials in his report on the Boeing deal. He first submitted his report to the White House for review.

"That decision ... raises questions about your independence," Grassley wrote in his Aug. 8 letter.

Finally, Grassley reprimanded Schmitz this year for planning to take a ceremonial trip to Potsdam, Germany, that would have cost taxpayers \$16,000. Schmitz later canceled the trip.

Schmitz - the son of John G. Schmitz, the fiercely conservative former congressman from Orange County - was approved by the Senate as inspector general in March 2002. He previously worked for the Washington law firm Patton Boggs.

Schmitz will go to work for Prince Group, the Virginia-based parent company of Blackwater USA, as chief operating officer and general counsel. Schmitz formally recused himself in June from any cases involving Blackwater, a private security company with millions of dollars in contracts in Iraq.

Still, Schmitz's departure to the private sector raised concerns among government watchdog groups.

"He's a person who did not put the appearance of ethics above all else," said Danielle Brian, the executive director of the Project on Government Oversight. "That is not the way the government should function. These are the kind of things that make the general public distrust government."

AMP Section Name:War & Disaster Profiteering

<https://qz.com/211603/how-ukrainian-arms-dealing-connects-to-syrias-bloody-civil-war>

# How Ukrainian arms-dealing connects to Syria's bloody civil war

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By

**Tim Fernholz**

Published May 23, 2014

All the ingredients are there for a proper arms deal: A former government official with connections to the military-industrial complex. A stockpile of Soviet arms in Ukraine. Soldiers in Syria with a yen for ammo and cash to burn. The biggest problem? Getting the arms from eastern Europe to the battleground without alerting international authorities or tipping off your enemies.

The story isn't about Russia or the United States. It's about Russia *and* the United States.

This week, the Wall Street Journal shone a light (paywall) on one American's thwarted effort to run guns into Syria for the anti-regime Free Syrian Army. Last fall, analysts at the Center for Advanced Defense Studies (C4ADS) in Washington assembled public data to identify a network of businesses (pdf) in Ukraine and Russia at the heart of Russia's efforts to arm the Syrian regime. The two stories have a lot in common, with a key difference being that Russia's government is a lot more invested in arming its side of the conflict.

## **The guns of Odessa**

While weapons of all kinds have cropped up throughout the Syrian conflict, from the chemical weapons that made president Bashar Al-

Assad an international pariah to homemade rockets, the rebels have two main problems: Getting enough rifles and ammunition to give them a basic infantry force, and—the bigger problem—countering the regime’s vast military advantage, especially as it has aircraft and the rebels don’t.

Many weapons in the conflict hail from the former eastern bloc, according to surveys of small arms in Syria (pdf) that are admittedly unscientific. There’s a reason for this: The Soviet Union cranked up a massive arms machine, and when it collapsed, the combination of chaos, weapons stockpiles and criminal entrepreneurship gave men like Viktor Bout and Leonard Minin careers as arms dealers.

When it comes to recent arms deals to Syria, though, the C4ADS analysis sees a a new evolution in arms transit.

Using software developed by Palantir, the secretive Silicon Valley big-data firm, C4ADS tracked an interconnected network of businesses, often hidden behind shell companies, who handle most Russian arms shipments. The “Odessa network” it describes is centered on politically-connected Russian and Ukrainian businessmen and the Ukrainian seaport of Oktyabrsk, a former Soviet military base. At least 10 ships in the network visited Syria in 2012, while dozens of Syrian vessels have traveled back and forth to Oktyabrsk, according to C4ADS.

The most prominent firm discussed is the Kaalbye shipping group. It was founded by Igor Urbansky, a former Soviet naval captain who was a Ukrainian government deputy minister from 2006 to 2009, and Boris Kogan, whose business connections tie him to Russia’s defense industry. Kaalbye-operated vessels have shipped all kinds of cargo,

but they have also have an important business transporting weapons to conflict zones on Russia's behalf.

At least one of Kaalbye's ships, the *Ocean Voyager*, took a shipment from Russia's arms export agency to Syria's ministry of defense in 2012, according to a cargo manifest obtained by C4ADS. The manifest (below) lists the contents of the shipment as only "equipment." Kaalbye's representatives at the law firm Patton Boggs declined to comment to Quartz, but the company has acknowledged this delivery to Syria and says it is the only one that occurred that year.

<b>CARGO MANIFEST</b>				
Vessel		Flag	Port of loading	Page No.
OCEAN VOYAGER		Saint Vincent and The Grenadines	ST.PETERSBURG	1/1
Agents		Master	Port of discharge	Date of Issue
NEVA-TRANSPORT-TRADING		Capt. O.Tarasevich	TARTOUS PORT	15/01/12
B/L No.	Shipper	Consignee	Description of goods and kind of packages	Gross weight
B/L No. 1 Ref: 519/1190	JSC ROSOBORONEXPORT, MOSCOW, RUSSIAN	TO THE ORDER OF CENTRAL BANK OF SYRIA Notify address: MINISTRY OF DEFENSE - DAMASCUS	EQUIPMENT (BRUTTO: 37369,00 KGS; TARE: 11670,00 KGS; GROSS: 49039,00 KGS) SUBJECT CONTRACT NO P/076006131726 DD 31/10/2010 CIF LATTAKIA OR TARTOUS PORT INCOTERMS 2000 L/C NO. 28570/15060	49 039,00 KGS
B/L No. 2 Ref: 519/1190	JSC ROSOBORONEXPORT, MOSCOW, RUSSIAN	TO THE ORDER OF CENTRAL BANK OF SYRIA Notify address: MINISTRY OF DEFENSE - DAMASCUS	EQUIPMENT (BRUTTO: 70982,00 KGS; TARE: 14740,00 KGS; GROSS: 85722,00 KGS) SUBJECT CONTRACT NO P/076006130569 DD 5/7/2010 AND ITS SUPPLEMENT NO. /076006131647/ DATED 31/10/2010 CIF LATTAKIA OR TARTOUS PORT INCOTERMS 2000. L/C NO. 28769/15060	85.722,00 KGS
B/L No. 3 Ref: 519/1190	JSC ROSOBORONEXPORT, MOSCOW, RUSSIAN	TO THE ORDER OF CENTRAL BANK OF SYRIA Notify address: MINISTRY OF DEFENSE - DAMASCUS	EQUIPMENT (BRUTTO: 26527,00 KGS; TARE: 7510,00 KGS; GROSS: 34037,00 KGS) SUBJECT CONTRACT NO P/076006131414 DD 31/10/2010 CIF LATTAKIA OR TARTOUS PORT INCOTERMS 2000 L/C NO. 28680/15060	34 037,00 KGS
<b>TOTAL: 2520 CASES IN 9 X 40' CONTAINERS</b>				
<b>TOTAL BRUTTO WEIGHT:</b>				<b>134 878,00 KGS</b>
<b>TOTAL TARE WEIGHT:</b>				<b>33 920,00 KGS</b>
<b>TOTAL GROSS WEIGHT:</b>				<b>168 798,00 KGS</b>



A cargo manifest detailing the shipment of "equipment" from Russia's arms export agency to Syria's defense ministry.

The C4ADS report also notes that other Kaalbye vessels dropped out of sight of global ship-tracking databases at the same time that Russia increased weapons deliveries to Syrian ports in 2012 and 2013. While it's possible that this is a coincidence, and the innocuous product of less-than-perfect infrastructure, C4ADS suggests the timeline could point to Kaalbye ships shutting off transceivers while making weapons deliveries.

It's likely not illegal for Russian ships to deliver such cargos, depending on the jurisdictions they pass through en route. But delivering weapons to Syria would violate Western sanctions. Kaalbye, presumably concerned that other lines of business—including potential US government contracts—might be affected by the C4ADS allegations, threatened to sue the think tank for defamation and hired a public relations firm to challenge its findings. Kaalbye also provided evidence to the Washington Post that one of the missing ships was in fact using its tracking system and did not stop in Syria.

But in April, the think tank preemptively sued the shipping firm for interfering in its business. The back and forth between the company's American representatives and C4ADS is a saga in itself, and more may be revealed in early June, when Kaalbye must respond to the suit in court.

Kaalbye's role aside, Western intelligence agencies are confident that Russian (and, to a lesser extent, Iranian) supplies—from helicopters to tanks to ammunition and diesel—have allowed the Assad regime to wage war despite not having much of an industrial base or support from other nations.

This analysis of Russia's arms shipment logistics also, incidentally, helps explain president Vladimir Putin's interest in influencing or annexing eastern Ukraine. Yes, it's a former part of the Soviet empire where a lot of ethnic Russians live; but it's also vital infrastructure for Russia's efforts to project power abroad today—and a profit center for the Russian defense industry.

And that's why it's interesting that a stockpile of weapons a group of Americans sought to provide to Syrian rebels also hails from Ukraine.

### **There's something about Schmitz**

About a year ago, according to the Journal's story, a former US defense department official named Joseph Schmitz approached the leader of the rebel Free Syrian Army. He offered to give them 70,000 assault rifles from Ukraine and 21 million rounds of ammunition, for which an unnamed Saudi prince would foot the bill. Given that the fighting force of the Syrian rebels is estimated at perhaps 100,000 strong, it would have been a substantial injection of firepower—though it would not solve the air superiority problem. At the time, the US government was dithering over whether to provide much in the way of weapons at all, given the risks that they might reach anti-American groups or fail to change the dynamics of the conflict.

Schmitz, who had worked as the independent auditor for the US Defense Department, left that job in 2005 after coming under Congressional criticism for close relationships to contractors he supervised; no wrong-doing was ever identified. He became the general counsel for Blackwater, the notorious US mercenary firm, before going into private practice as an attorney. Last year, the Journal reports, he somehow arose as the middleman between

the unnamed Saudi benefactor, two unnamed US weapons brokers, and whoever owned those weapons and the capacity to transport them to Syria.

This all came to a halt, according to the Journal, when a US spy in Jordan apparently told one of Schmitz's partners that the US government didn't want any freelance arms dealing in Syria. This was before Schmitz had applied to the State Department for an official license to broker such weapons sales overseas, which he said he intended to do all along, though both arms trafficking experts and members of the Syrian opposition were skeptical of his approach. Soon, evidence that Syria had used chemical weapons against civilians in rebel-held areas loosened US restrictions. Now, the US is directly supplying training and an unknown amount of small arms and anti-tank weapons to select Syrian rebels across the border from Jordan—but still no anti-aircraft missiles.

## **How much do weapons cost?**

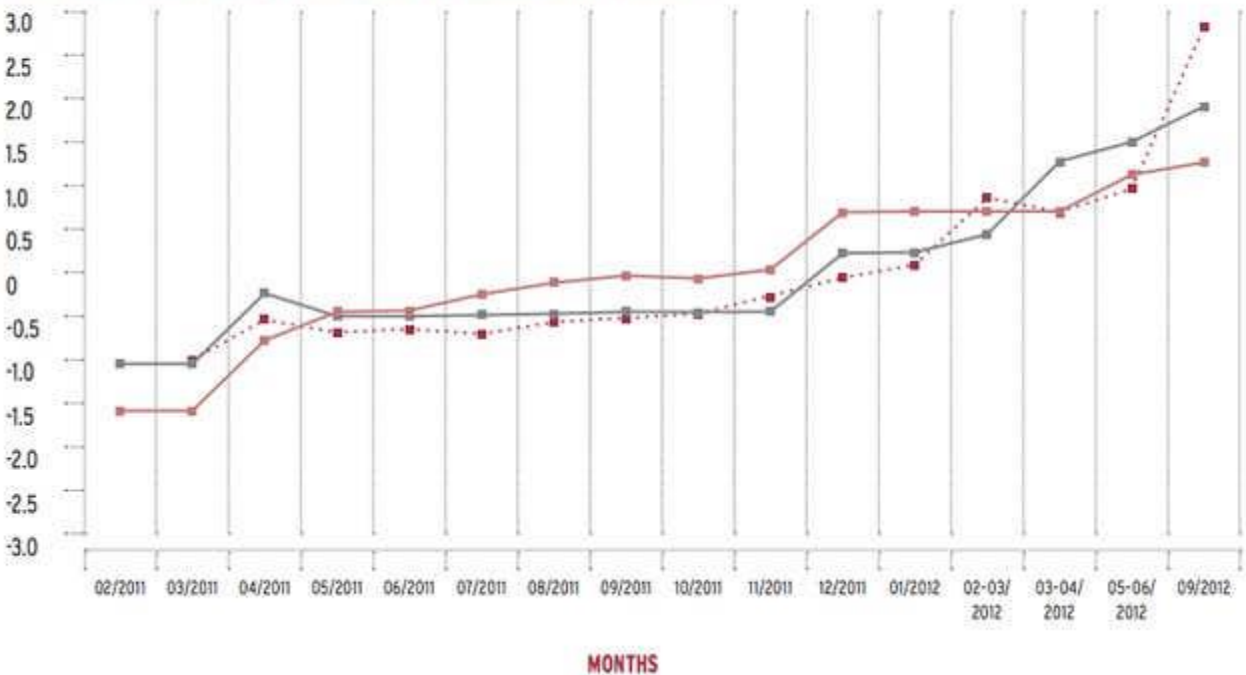
The more the war in Syria drags on, the higher the demand for weapons. Here's a chart from [the Small Arms Survey](#) (pdf) looking at the correlation between increases in casualties and the cost of weapons:



Figure 11.5 Fatalities in Syria vs. arms and ammunition price trends in Lebanon, February 2011–September 2012

■ Reported fatalities (Syria) ■ Ammunition (Lebanon) ■ Weapons (Lebanon)

PRICE INDICES AND CASUALTIES EXPRESSED AS STANDARDIZED Z SCORES

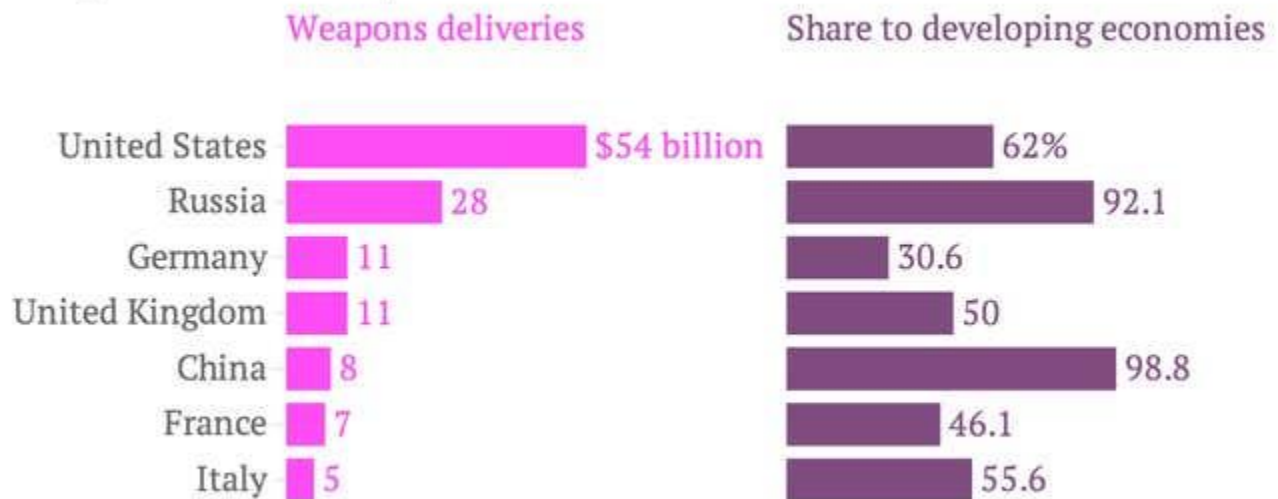


In 2012, rebels seeking armaments in Turkey found that just [one cartridge for a machine gun or assault rifle](#) cost \$2-\$4, while a common assault rifle cost upward of \$2,000. That puts some perspective on the value of Schmitz's offer; at those prices, that much weaponry would have cost the rebels perhaps a quarter of a billion dollars. Presumably, the wholesale cost to Schmitz's group would have run cheaper.

But those numbers also underscore that the conflict can be a boon for defense contractors. Russia exported some \$17.6 billion in weapons in 2012 alone, and that's just the arms transfers it reports; even if the government is underwriting most of those costs, it's still promoting its industrial base. When it comes to arms sales, the US is its only rival, exporting [perhaps \\$60 billion worth](#) of military goods in 2012,

although that's an unusually high number driven by advance sales. Here's a more representative picture of the global arms market:

The global arms market, 2008-2011



Quartz | qz.com

Data: Congressional Research Service

What's most worrisome is that these data are mostly focused on large armaments—planes, tanks, ships and bombs—and not small arms. While the dangers of mechanized inter-state warfare are well known, small-arms trafficking is harder to spot, and that has people worried, since it increasingly fuels destabilizing conflicts from Africa to Latin America. Last year, the UN passed a treaty in part designed to create more transparency around arms trading and urge countries not to send weapons knowingly to places where they're likely to be used in genocide, terrorism, and the like. The US has signed the treaty; Russia has not.

As the world's top arms dealers square off in Syria, the situation looks to be approaching a stalemate. Fractured rebel groups retreating in the face of pressure from a regime confident in its ability to consolidate power and wait its enemies out. That's not likely to

change unless the US or someone else decides to send anti-aircraft weapons to the rebels. But as long as the steady migration of weaponry from eastern Europe to the Middle East continues, the suffering isn't liable to stop anytime soon—the latest count by activists attempting to track the disaster is that more than 160,000 people have been killed, and many more have been turned into refugees, with the UN claiming that Lebanon alone will hold 1.5 million by the end of the year.

## Private Group Sought to Arm Syrian Rebels

**A group led by a former Pentagon official devised a plan to supply moderate Syrian rebels with weapons sourced in Eastern Europe and financed by a wealthy Saudi, and it ran into flak from the CIA** WASHINGTON—An urgent [plea for arms by Syrian rebels](#) last summer posed a quandary for the Obama administration.

The rebels were facing setback after setback on the battlefield. The administration backed their goal of unseating the Syrian government, but worried about U.S.-supplied arms making their way to fighters linked to al Qaeda. In the end, the U.S. approved a [modest arms-supply effort](#) that was slow to gain traction.

### Newsweek

At the time of its startup, Joseph Schmitz was also chief executive officer and general counsel of the Prince Group, owner of the controversial military contractor company Blackwater USA.

# Rep. Cory Mills founded a company that sells arms to foreign governments. He won't say which ones.

Jack Newsham, Katherine Long, Bryan Metzger, and Azmi Haroun

Mar 28, 2023, 3:49 PM EDT



Rep. Cory Mills. Tom Williams/CQ-Roll Call, Inc via Getty Images

- **Cory Mills arrived in Congress with grenades and cast himself a champion of local law enforcement.**
- **An Insider review found that the munitions company he cofounded had sold to foreign governments.**

- **Mills has refused to publicly disclose his foreign dealings or even confirm who owns the company.**

Cory Mills landed in Congress like a grenade.

Literally: At the start of this term, the freshman Republican from Florida handed out 40 mm grenades stamped with a GOP elephant to congressional colleagues.

"I am eager to get to work with you on behalf of the American people," he wrote in an accompanying note.

The grenades were inert. But the stunt was in line with the type of guns-blazing, America-first rhetoric that Mills, an arms dealer, decorated Army combat veteran, and former military contractor, deployed during his campaign in Florida's 7th Congressional District.

Mills, a cofounder of the munitions manufacturer and security contractor Pacem Solutions, positioned himself as a defender of police departments under attack from the "woke" Biden administration. In a 2022 campaign ad, Mills said he "backs the blue" and bragged that his company sold the tear gas that the police used to suppress recent racial-justice and abortion-rights protests.

What Mills didn't advertise was Pacem's munitions contracts with foreign governments. Instead, Mills has refused to publicly disclose his connections and dealings with powers abroad while at the same time sitting on two committees overseeing foreign affairs and military spending — as well as wielding the power to vote on foreign arms deals.

An Insider examination of his business dealings, though, found that Pacem has had deep ties to foreign governments and is struggling financially.

Pacem has repeatedly courted munitions deals with foreign governments over during its nearly decade-long existence. A Saudi government-affiliated national security expo promoted Pacem as one of its featured vendors in 2019, with Mills' face posted across the event's social-media pages. Pacem also exhibited in Abu Dhabi that same year, at one of the largest weapons shows in the world.

A representative for Mills refused to disclose all of the countries Pacem has sold munitions to. But Insider was able to identify multiple foreign buyers. In one major contract from 2015, Pacem and a partner UK munitions firm reached a \$228 million arms deal with Iraq. Mills confirmed that deal, saying it was facilitated by the US Department of Defense and wasn't entirely paid out.

Pacem has sold munitions to Ukraine and Colombia in recent years, according to three sources familiar with the matter, though it's unclear whether those sales are continuing.

A spokesperson for Mills did not respond to repeated requests for a full accounting of the congressman's foreign dealings through Pacem. The company's chief legal officer, Joseph Schmitz, said all of Pacem's foreign munitions sales were approved by the State Department.

Though Mills told Insider he had divested from the company, he was still listed as executive chair on the website of Pacem Solutions at publication time. Pacem Solutions removed the "Who We Are" page that listed Mills as executive chair after Insider published this article; Pacem's lawyer told Insider that the page was "outdated." Schmitz refused to tell Insider who owned the company but said it would be incorrect to publish that Cory Mills "owns 100% of Pacem Solutions and Pacem Defense."

Mills' influence over American military spending while having ties to a munitions company poses the potential for conflicts of interest, an ethics watchdog said.

"It's an obvious conflict of interest, a no-brainer to anyone with common sense," said Don Sherman, the senior vice president of Citizens for Responsibility and Ethics in Washington, a left-leaning nonprofit advocating government ethics reform.

Schmitz said Mills' ties to Pacem were "being vetted" by the House ethics committee.

"Everything is above-board," he told Insider. The ethics committee's general counsel declined to confirm whether it was currently working to resolve Mills' relationship with Pacem.

## **Pacem's troubled history**

An explosion ripped through the humid air of a small Florida panhandle town midmorning on September 14, 2018.

Employees at Amtec Less-Lethal Systems, a riot-control-munitions manufacturer in Perry, Florida, had been assembling flash-bang strips. The blast, which federal workplace-safety inspectors indicated might have been caused by static electricity leaping onto explosive powder, immediately killed one worker and injured another so severely that he died the next week.

One month later, Pacem Defense bought the business for \$10 million. The explosion loomed over the start of Pacem's ownership of the facility. Repercussions from the incident have contributed to a slew of financial troubles dragging Pacem down.

Mills' involvement in the defense and munitions world evolved out of his years in the armed forces and work as a private military contractor. He served in the US Army from 1999 to 2003, according to his discharge paperwork. During that time he was sent to Kosovo and Iraq, and he was awarded the Bronze Star.

Mills later spent four years as a military contractor for Dyncorp, where he worked in Iraq and Afghanistan, according to his LinkedIn profile. On the campaign trail and in media interviews he

has described being "blown up twice" while on assignment there. He subsequently worked for the federal contractors Chemonics International and Pax Mondial Ltd., before striking out on his own.

In 2014, Mills and his wife, Rana Al Saadi, an Iraqi refugee who came to the US in 2008, founded Pacem. Mills described Pacem to Insider as a "turnkey solution," which encompasses global threat analysis, security services contracting, weapons sales, and training.

The company appeared intent on quickly establishing a global footprint in the years after its founding. Pacem "delivered millions of defense products around the world to some of the most challenging regions," including explosive cartridges for use in grenade launchers, according to a press release it issued in 2018. Early archived copies of Pacem Solutions' website mention work with international development groups like USAID and showed pictures from Ukraine, Pakistan, and Iraq, among other places. Another archived page showed Pacem with offices in Kabul, Baghdad, and Islamabad.

But since the acquisition of Amtec, Pacem appears to have lost value. Pacem Solutions and Pacem Defense are together now worth anywhere from \$10 million down to just \$2 million, according to a financial disclosure Mills filed in January — equal to or less than the price Pacem paid for Amtec alone.

The Amtec explosion, which workplace-safety inspectors concluded was caused by inadequate safety controls, cost Pacem.

Mills said the explosion, which occurred before Pacem acquired the company, underscored the need for a thorough intervention into Amtec's processes and facilities. Pacem poured at least \$2 million into facility upgrades, Mills told a local news outlet, including improvements related to the explosion.



"We bought it knowing the company had issues, then we had our engineers redesign certain products that were not working well," Mills told Insider. Financially, COVID-19 also "slowed things down tremendously," he added. In a statement, Mills' spokesperson also said Pacem didn't lay off any employees and gave small raises during the pandemic.

Pacem is also loaded with debt: It owes \$48 million to a Canadian lender, nearly five times the company's highest potential valuation. Mills said the loan was funding research and development.

There are additional issues that have dogged the company. In the past two years, the munitions plant has been forced to shut down twice for failing to pay workers' compensation insurance premiums, according to Florida's Department of Workers Compensation.

Schmitz, Pacem's chief legal officer, confirmed the shutdowns but claimed the missed workers' compensation payments were an accidental oversight.

Money woes aren't Pacem's only problem. In December 2020, the company blew up or burned several boxes of hazardous waste, according to two people familiar with the incident and a report from the Florida Department of Environmental Protection. The agency cited Pacem for improper storage and disposal of the waste.

Schmitz told Insider that Pacem self-reported the incident and that it wasn't a "big deal," with "no environmental impact."

## **International arms trader**

Mills' congressional campaign played up Pacem's contracts with local law enforcement, claiming that the "liberal media is crying" about the company supplying tear gas that was used against

racial-justice protesters. These contracts with local law enforcement represent the bulk of Pacem's client volume, Mills told Insider.

But a review of Pacem's contracts suggests its dealings with law enforcement are relatively small-dollar. The company sold roughly \$1.3 million worth of tear gas to police departments from 2018 to mid-2021, it reported to a congressional oversight committee. The company sells other products to police departments, like flash bangs, that Congress didn't ask about.

The size of those hundreds of tear-gas transactions pales in comparison with just one foreign arms deal identified by Insider.

A Marine Corps Lance corporal carries 40 mm grenades of the type manufactured by Pacem. Cpl. Victoria Ross/US Department of Defense

In 2015, Pacem, in partnership with the UK weapons dealer Chemring, signed a contract with the Iraqi government worth \$228 million. The deal would have represented nearly 2.5% of the country's entire military expenditures that year, according to data from the Stockholm International Peace Research Institute, which tracks military spending.

Mills said Pacem never received the full value of the contract, which he said was intended to provide "certain types of support in launching counteroffensives against ISIS to drive them out of Iraq." The Islamic State militant group was pushed out of key Iraqi cities before the contract was supposed to close, according to Mills.

In 2016, an Iraqi auditing agency raised questions about whether it had overpaid for Pacem's services. Iraq's interior ministry "accepted the pricing and the specs supplied by the company for the product, without forming a technical committee, or asking any of the official trusted consultants to write up specs and details of pricing that are up to date before moving forward to the contract procedure," Iraq's Federal Board of Supreme Audit wrote. Mills said the contracting process was above-board and overseen in part by the US Department of Defense.

Pacem's overseas presence extends past the Iraq deal. The company has an office in Dubai, and in 2015 it also had offices in Islamabad and Kabul, according to an archived version of Pacem's website. Mills' wife, Rana, who is described on Pacem's website as the company's executive chairwoman, is the CEO of another Dubai-based company, Abdeen DMCC, according to her LinkedIn page. It's not clear what Abdeen does, and Rana did not respond to questions about Pacem's ownership or Abdeen DMCC.

On its website, Pacem says it is "registered" to "legally work" in Afghanistan, Pakistan, Kurdistan, Iraq, Ukraine, Kenya, Somaliland, Nigeria, the Democratic Republic of Congo, Brazil, Malaysia, and Dubai. Pacem appeared at the 2019 Saudi National Security and Risk Prevention Expo, an arms and defense sales convention, and the same year was an exhibitor at IDEX, a massive five-day weapons show in Abu Dhabi.

Pacem appears to have invested in the Amtec facility at least in part to manufacture weapons for sale abroad, not at home. Mills wrote to a federal regulator in 2019 that he had upgraded Pacem's munitions plant to "manufacture a new energetic product that will serve our allies around the world."

Before Pacem bought Amtec, Amtec had delivered on contracts for ammunition worth about \$5.6 million with federal agencies, including the Defense Department and Bureau of Prisons. Since the acquisition closed in 2018, Pacem has delivered only \$314,110 worth of munitions and consulting services to the US government, according to a federal contracting database. Some federal contracts are classified and may not be disclosed.

In Congress, Mills sits on the House Foreign Affairs and Armed Services committees, which oversee military spending and foreign weapons sales.

Mills' oversight role "could have a huge impact on his business, his competitors writ large," Sherman said. But as it stands, there is no requirement for him to reveal the extent of his dealings with foreign governments.

## The arms dealer in Congress

Mills leaned heavily on his endorsement from former President Donald Trump during his congressional campaign. Echoing Trump's election denial and anti-immigrant views, he voiced support for a temporary ban on immigration to the United States and told the Orlando Sentinel that he didn't view the Biden administration as legitimate.

In Congress, Mills has sought to position himself as someone who understands American involvement in foreign conflicts from the ground up and align himself with Republicans who are skeptical of US military involvement abroad. He has excoriated the Biden administration for what he's described as its botched withdrawal from Afghanistan, and he's opposed additional American aid to Ukraine.

Before he was even sworn in, Mills appeared alongside Reps. Marjorie Taylor Greene and Matt Gaetz at a December 2022 press conference touting a resolution to audit US funding for the war in Ukraine.

"We should not go around thinking that we're always the world's police, and have the answers," Mills said at the press conference, warning of the potential for "nuclear escalation" in Ukraine and an "axis of evil" between Russia, China and Iran.

Mills also recently voted for an ill-fated resolution sponsored by Gaetz that would've ordered President Joe Biden to withdraw US troops from Syria, joining a coalition of intervention-skeptical Republicans and progressives.

He's also waded into the culture wars, introducing a bill aimed at preventing the supposed distribution of sexual material in schools.

But so far, months into his freshman term, he's still best known for his grenades.

***Editor's note: March 23, 2023*** — *This story has been updated to remove a reference to Pacem's rubber bullets being used against protesters in Hong Kong in 2019. While a company that Pacem acquired in 2018 did supply less-lethal munitions to the Hong Kong government, Pacem said the sales took place before the acquisition. It has also been updated to include a comment from Pacem's chief legal officer, Joseph Schmitz, clarifying Pacem's current ownership. While Mills told Insider that he had divested from Pacem and Schmitz indicated that Mills was no longer the company's owner, after this story was published Schmitz clarified that he intended to say only that it would be inaccurate to describe Mills as the sole owner of Pacem Defense and Pacem Solutions.*

***Editor's note: March 28, 2023*** — *This article has been updated to reflect that Pacem Solutions removed the page that listed Mills as an executive chair following publication.*