Executive Summary

- Commerce Secretary Wilbur Ross was allowed by ethics officials to maintain investments and other ties to a group of shipping firms. Many of the these firms’ clients specialize in industries greatly impacted by the Commerce Department’s policies, particularly the implementation of tariffs still to be negotiated largely by Ross and the Commerce Department.¹

- Ross maintains a stake in entities tied to Nautical Bulk Holdings Ltd., which does significant business with foreign steel companies potentially subject to or impacted by tariffs.² The Trump administration granted South Korea and the European Union qualified tariff exemptions.³ Eighty-one percent of Nautical Bulk Holdings’ imports to the US have originated from South Korea and the EU since May 2016.⁴

- Nautical Bulk also does business with ArcelorMittal, the world’s largest steelmaker.⁵ Ross served on ArcelorMittal’s board before joining the government.⁶ He turned an enormous personal profit in 2005, when Lakshmi Mittal, ArcelorMittal’s CEO and board chair, bought Ross’s American steel companies for $4.5 billion. The deal followed the implementation of steel tariffs by the Bush administration.⁷

- Ross also has investments in Navigator Holdings and Diamond S Shipping, companies that specialize in oil & gas shipments. Clients include Russian, Venezuelan and Chinese state-owned energy companies, several of whom are currently subject to US sanctions. Ross was chairman of Diamond S until becoming the U.S. Commerce Secretary.⁸

- Wendy Teramoto, Ross’s current chief of staff, went to work for him at the Commerce Department as a “Special Government Employee” (SGE), a designation that allowed her to continue serving on the boards of Navigator Holdings, Diamond S Shipping, and his own private equity firm, WL Ross & Company.⁹
Introduction

Tariffs were a core promise of Donald Trump’s presidential campaign. At a June 2016 rally, Trump laid out his jobs plan to a packed house in Monessen, Pennsylvania—once the heart of the American steel industry. Trump promised to revive American manufacturing, starting with steel and aluminum. He promised to “appoint the toughest and smartest trade negotiators” and “direct the Secretary of Commerce to identify every violation of trade agreements a foreign country is currently using to harm our workers.”

After the election, Trump quickly nominated his longtime friend Wilbur Ross as Commerce Secretary. At a December 2016 rally, the President-elect touted Ross’s business savvy, telling the crowd “this guy knows how to make money, folks.” Ross, a prominent financier who had bailed out Trump in Atlantic City, had a long history of investing in distressed assets. Over the years, he had built up a large portfolio of them through his firm, WL Ross & Co.

On its website, WL Ross & Co. claims investment stakes in 178 companies across 14 industries. These include major interests in auto parts, steel, and international shipping—all major industries that might be affected by Department of Commerce trade policies. Ross resigned as chairman of WL Ross & Co. upon joining the Trump administration.

Curiously, Ross’s ethics agreement allowed him to keep his interests in a group of international shipping companies, despite significant overlap with his new duties as Secretary of Commerce. Through these firms, owned through a complex network of LLCs, Ross was allowed to maintain extensive business ties with foreign steel producers and manufacturers, many of them based in countries currently threatened with tariffs by the current administration. Some of those countries, such as South Korea, have been given temporary tariff exemptions until broader trade agreements are reached. Many of these new agreements will be reached by the Department of Commerce with Wilbur Ross at the helm.

Overlapping Interests

Ross’s current shipping interests include companies called Nautical Bulk Holdings, Navigator Holdings, Diamond S Shipping and TRF Ship Management. At least one, Nautical Bulk, deals heavily in steel and steel product transportation, while the others are mostly concerned with oil and gas shipping.

Steel is familiar territory for Ross. His biggest successes as a private investor came from investments in the steel industry in the early 2000s, when President George W. Bush issued stiff tariffs on steel imports. According to Forbes, Ross purchased LTV, a distressed American steel producer, a week before
the Bush tariffs were implemented. Less than three years later, Ross sold his steel assets to Mittal Steel for 4.5 billion. The deal turned a $3 million personal investment by Ross into a $260 million profit and earned Ross a board seat on what would become the world’s largest steel producer.\textsuperscript{16}

The conflicts are not limited to Ross himself. His chief of staff, Wendy Teramoto, followed him to the Department of Commerce from his private businesses. In addition to holding many of the same investments, Teramoto continued to serve on the boards of several of Ross’s portfolio companies, including his shipping interests, after joining the government. When this was revealed in a November 2017 report, Ross explicitly said he would divest from two of the shipping firms.\textsuperscript{17} Despite his promise, Ross has yet to publicly disclose any relevant transactions, indicating that he may not, in fact, be divested.\textsuperscript{18}

**Nautical Bulk Holdings Ltd.**

South Korea’s tariff exemption came as its Trade Minister, Kim Hyun-chong, sent a letter to Ross the same month requesting a reprieve from the administration’s new policy.\textsuperscript{19} An agreement was reached on the condition that a new trade deal would include a cap on South Korean steel shipments and increased imports of U.S. automobiles.\textsuperscript{20} While negotiating, Secretary Ross was part-owner of companies that specialize in transporting both resources. One in particular, Nautical Bulk Holdings, conducts substantial business with South Korean clients.

Nautical Bulk Holdings is a dry bulk shipping company based in Bermuda. It was co-founded in 2013, by WL Ross & Company. Nautical Bulk Holdings investors launched the shipping company after raising more than $100 million to purchase eight 64,000-ton ultramax ships from China, with deliveries beginning in 2015.\textsuperscript{21}

According to Panjiva, a global trade website that catalogues commercial shipping data, 458 out of 735 Nautical Bulk Holdings shipments into the United States, or 62 percent, came from South Korea since May 2016. The vast majority of these shipments were steel or steel products.

- 174 shipments were from Hyundai, a South Korean conglomerate encompassing Hyundai Motor Company and Hyundai Steel.
- 82 shipments were from POSCO, a South Korean company that is one of the world’s largest steelmakers.
- 190 shipments were from various other South Korean steel producers.

Other prominent clients of Nautical Bulk Holdings include ThyssenKrupp of Germany (85 shipments), ArcelorMittal (45 shipments), and China’s Baoshan Iron and Steel (28 shipments).\textsuperscript{22}
South Korea was not the only trade partner spared from the new restrictions. The European Union was also granted a temporary steel and aluminum tariff exemption contingent on a new trade deal. On May 31, Trump announced tariffs on the EU would go in effect after all. “We continue to be quite willing, indeed eager, to have further discussions with all of these parties,” Ross would tell reporters in Paris. Records show that at least 22 percent of U.S. imports carried by Nautical Bulk came from EU countries over the past two years—making EU and South Korean companies the source of more than 81 percent of Nautical Bulk’s imports.

ArcelorMittal, the Luxembourg-based steel conglomerate with which Ross has a long history, now plans to build a $1 billion steel mill in Mexico and recently acquired a major Brazilian steel producer. In addition to being a client of Nautical Bulk Holdings, ArcelorMittal is the successor to Mittal Steel, the same firm Ross cut his $4.5 billion deal with years earlier. Ross served on the ArcelorMittal’s board until March 2017. Both Brazil and Mexico were granted temporary exemptions from the Trump administration’s tariffs.

Wendy Teramoto, Ross’ chief of staff, is still listed as a director of Nautical Bulk Shipping 10 Ltd., a Bermuda-based LLC associated with Nautical Bulk Holdings. Teramoto claimed to have resigned from the company in July 2017.

Navigator Holdings and Diamond S Shipping

The conflicts presented in negotiating trade deals affecting Nautical Bulk Holdings Ltd. are significant, but by no means unique. Two other shipping companies with large financial ties to Ross, Navigator Holdings and Diamond S Shipping, will be similarly affected.

In November 2017, eight months after joining the Trump administration, Ross announced he would divest from Navigator Holdings and Diamond S Shipping – but only after it was revealed that his chief of staff, Wendy Teramoto, remained involved with both companies after she and Ross had joined the administration.

Despite that announcement, Ross has yet to show any such sale, indicating he may still own these significant stakes. He is required to disclose these sales if and when they occur.

Teramoto has been a top advisor to Ross for years at WL Ross & Co. After joining the Commerce Department, she continued to serve on the boards of directors for Navigator Holdings and Diamond S Shipping, as well as Ross’s private equity firm WL Ross & Co. How was she allowed to do this?
Teramoto was hired as a part-time “Special Government Employee,” (SGE) beginning March 2017, which allowed her to continue serving other employers simultaneously. This designation was also what allowed then-Secretary of State Hillary Clinton to employ her longtime aide, Huma Abedin, as a special advisor at State while she retained her job with the Clinton Foundation during Barack Obama’s administration.  

Teramoto resigned from most of the boards by July 2017, shortly before becoming Ross’s full-time chief of staff at Commerce. Months later, a report by American Public Media showed that Teramoto helped negotiate export deals for U.S. oil and gas while on the board of these companies.  

Navigator Holdings is an oil and gas shipping firm that counts major Turkish oil company, Petkim Petrokimya, as one of its largest customers. Ross first acquired a 19 percent stake in the company in 2011 and had increased that to 39 percent in 2013 according to SEC filings. Although Navigator Holdings does appear in his government financial disclosure, the documents do not list the value of his investment.  

Ross was chairman of Diamond S Shipping until he joined the Commerce Department. While the specifics of Ross’s investment are not publicly known, WL Ross & Co. owned 32% of Diamond S, according to 2014 SEC filings. SEC records also show that one of Diamond S Shipping’s co-owners, with an 8 percent stake, is a subsidiary of the state-owned China Investment Corporation.  

Diamond S Shipping has handled shipments to or from politically-connected firms, including Russian energy giants Lukoil, Novatek, and Gazprom; Venezuelan oil company PDVSA; and China’s largest oil company, PetroChina. Many of these shipments are bound for commodities trading houses and financial firms that could potentially benefit from inside knowledge of trade negotiations and policies—insight that Ross and Teramoto would certainly possess.  

**Transportation Recovery Fund**

A fourth shipping company tied to Ross is the Transportation Recovery Fund (TRF). TRF was founded as a joint venture between WL Ross & Company and Fearnley Advisors, a Norwegian investment company named for a family of Norse shipping magnates. Ross owns numerous LLCs through which he jointly owns commercial ships managed by TRF. TRF ships carry a diverse array of goods, including, prominently, auto parts. The Department of Commerce recently began investigation of auto imports under section 232 of the Trade Expansion Act, the same power used to levy the steel and aluminum tariffs.  

In addition to being a European company itself, TRF has major transport clients in the EU. Shipping records show that of the almost 1,400 imports to the U.S. on TRF ships since 2015, nearly 60% of originated from the European Union, with over 16% coming from Germany alone.
Like South Korea, the EU was originally extended a temporary exemption from the Trump administration’s steel and aluminum tariffs. The exemption was revoked on May 31, after the administration was unable to reach a deal. The German government in particular has protested the implementation of tariffs, calling them “unlawful.” Regardless, Ross’s Commerce Department will be largely responsible for negotiating any new EU trade deal on behalf of the U.S. government.

Conclusion

Wilbur Ross is negotiating trade deals and tariff exemptions on behalf the United States government while at the same time being in a position to directly benefit. Regardless of whether one agrees or disagrees with the administration’s economic policies, its Commerce Secretary should not be in a position to negotiate from both sides of the table.

The whole point of disclosure laws is to prevent these kinds of conflicts from happening in the first place. Those like Ross who enter into government service with substantial commercial interests must either divest those holdings, place their assets into a blind trust, or recuse themselves from participating in negotiations where their personal interests are so obviously at stake. There is little evidence that Ross has done so.

Perhaps Larry Kudlow, director of the White House’s National Economic Council and former business news television host, said it best. “He (Ross) is the most prominent commerce secretary in many, many years,” he said, adding, “I mean, he’s really a central player of all of the trade deals.”
Note: The structure of Ross’s holdings is complex and his disclosures frequently omit the underlying assets of the entities listed therein. However, Ross retained an interest in Starboard GP Ltd. and Starboard WLR Associates LP, through which he maintains stakes in joint ventures with Fearnley Advisors and Solus Alternative Asset Management, ventures which include Nautical Bulk Holdings and the Transportation Recovery Fund.
Panjiva data retrieved June 7, 2018.

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