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# Commerce Cronyism: Inside Deals, Conflicts of Interest & Chinese Connections

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## Executive Summary

The US Department of Commerce seldom grabs headlines or is the subject of stern congressional rebukes. It does not find itself accused of being “weaponized” against political opponents. Following the 2016 election, an article on Vox about the incoming power-players of the Trump administration dismissed it as a “Cabinet backwater,” consisting of a “hodgepodge of agencies.”<sup>1</sup>

The Commerce Department’s broad purpose is “to create the conditions for economic growth and opportunity.” As its name suggests, the department plays an important role in both domestic and international trade policy, including tariffs and even arms control.<sup>2</sup> But mixed into its “backwaters” are such workaday agencies as the National Weather Service, the Bureau of the Census, and the US Patent and Trademark Office.<sup>3</sup>

Still, waters run deep. In 2020, the Commerce Department was the fourth most lobbied federal office, behind only the departments of Treasury, Health & Human Services, and the White House itself.<sup>4</sup> It is comfortably ahead of big spenders like the departments of Defense and Transportation, despite having a far smaller budget.<sup>5</sup>

Its influence and profile are poised to grow. The trade war with China has imbued the Commerce Department with tremendous influence over important policy. The Trade Expansion Act of 1962 allows the Commerce Department to conduct investigations of the impacts of imports on our national security.<sup>6</sup> Effectively, the department creates the groundwork for tariffs. Through its Bureau of Industry and Security, Commerce regulates so-called “dual use” technologies, which have potential military applications for foreign powers, another sore spot in the US-China relationship.<sup>7</sup>

Then there are “Qualified Opportunity Zones” in the US, those neighborhoods which Commerce can designate to receive special status that allows investors to receive lucrative tax benefits, just for relocating business operations there. The decennial Census, the awarding of patents and trademarks, telecommunications policies, space, and weather forecasting are all overseen, at least in part, by the Department of Commerce.<sup>8</sup>

So, it is no wonder that Commerce is the fourth most lobbied federal office. It is no backwater – but rather the confluence of many rich streams. And, because of that, it is an overlooked pool for corrupt behavior.

## Key Findings

- Commerce Secretary Gina Raimondo’s husband, Andrew Moffit, is an executive at a Chinese-funded tech firm called PathAI, whose artificial intelligence activities may be subject to regulations currently under consideration by the Commerce Department.
- Moffit recently exercised stock options in PathAI and became an “advisor” to the company, deepening his financial ties while obscuring his exact role.

- Penny Pritzker leveraged the Commerce network. Pritzker's companies pursued real estate deals tied to valuable General Service Administration (GSA) leases. Eventually, her company recruited the head of the GSA.
- Wilbur Ross kept investments in companies directly affected by tariff policy, even as the Commerce Department handed out tariff exemptions and negotiated new trade agreements. Wendy Teramoto, his chief of staff, simultaneously served on the boards of some of these companies.
- According to a 2018 Government Accountability Institute analysis, 62 percent of the cargo carried into the US by one of Ross's shipping firms was South Korean steel for which he helped to negotiate a tariff exemption.
- The trade war with China has coincided with an increase in lobbying at the Commerce Department. OpenSecrets found that over 900 clients paid to lobby the Trump administration on trade issues in 2018, a 52 percent increase from 2016. Lobbying spending by steel companies increased by roughly 20 percent compared to 2017. This has intensified the revolving door between Commerce and the private sector.
- Before joining Commerce, Ross founded and chaired an auto parts company with operations around the world, including Mexico and China. Ross helped renegotiate the US's trade deal with Mexico, which lowered import duties on the automotive industry, and later refused to release the results of the Department's investigation into the effects of foreign imports on the automotive industry.
- Eric Branstad, the Commerce Department's liaison to the Trump White House, left the department to lobby for a Chinese telecom firm shortly after the Commerce Department's restrictions against it were lifted.
- Theodore Kassinger, Wilbur Ross's personal attorney while Commerce Secretary, simultaneously helped American chip maker Qualcomm seek regulatory approval for its proposed sale to China-linked Broadcom.
- Qualified Opportunity Zones (QOZs) have benefited the political class and their wealthy allies. The Economic Development Administration (EDA), under the Commerce Department's auspices, has funneled hundreds of millions in grants to projects tied to QOZs and is poised to spend billions more.
- Sen. Tim Scott's native South Carolina has received more than \$66 million in EDA grants, including a single, massive \$15.67 million grant to the town of Walterboro, population 5,400.
- A \$3 million EDA grant went to a Newark-area opportunity zone project backed by longtime Sen. Cory Booker donor Wendy Neu.
- Insiders such as Jared Kushner, Chris Christie, and Quicken Loans founder Dan Gilbert have already moved to cash in on the QOZ program, whose architects have already seen millions in grant money flow to their supporters and home districts. Several major donors to Pete Buttigieg have projects within South Bend's opportunity zones which, as mayor, Buttigieg helped identify.
- Chris Christie is now a "senior adviser" to a fund built around the QOZ program. Tim Scott's longtime chief of staff left to start the Opportunity Funds Association, a proposed "chamber of commerce" for opportunity zones.

In this report, the Government Accountability Institute (GAI) takes a peek inside the federal government’s “hall closet.” We will reveal why Commerce draws so much attention and what sort of relationships the leadership of the department has with various industries, lobbyists, and other interested parties.

## Recent Leadership

Often, Commerce Secretaries fit a particular profile. Wealthy, well-connected, often close friends of the President. Their broad range of powers gives them influence over a wide array of policy.

Carlos Gutierrez, chairman and CEO of the Kellogg Company, helmed the Department during the George W. Bush administration.<sup>9</sup> Bill Daley, Democratic Party power player and member of Chicago’s Daley political dynasty, took the post under Clinton.<sup>10</sup> John Kerry’s brother, Cameron, even served briefly as acting Commerce Secretary during the Obama administration.<sup>11</sup>

The most recent Commerce Secretaries have arrived with investment portfolios packed with conflicts of interest. Two of the last three Secretaries were billionaire investors whose portfolios invited controversy to the Department but make clear the potential value of the Commerce Department to those willing to exploit it.

### Penny Pritzker

Penny Pritzker served as Secretary of Commerce for three-and-a-half years during President Barack Obama’s second term. Pritzker, scion to one of Chicago’s most powerful families, has known the Obamas for decades.<sup>12</sup>

Famous and fractious — but politically influential — the Pritzker family casts a long shadow over Illinois politics. JB is now Governor of Illinois. After years of turmoil, the family broke up the fortune, yet each still walked away a billionaire.<sup>13</sup>

Pritzker was finance chair of Obama’s 2008 campaign. According to the *New York Times*, Obama initially considered her for Commerce secretary, but feared that her wealth would make her “radioactive.”<sup>14</sup>

A billionaire heiress, Pritzker brought numerous conflicts of interest with her to Commerce in 2013. Forbes estimated her net worth to be \$1.85 billion (now up to \$3.2 billion).<sup>15</sup> When, during her confirmation, she was found to have understated her wealth by at least \$80 million, Pritzker’s team chalked it up to a “clerical error.”<sup>16</sup>

Pritzker spent the early years of the Obama administration focusing on new business ventures. She launched PSP Capital Partners and Artemis Real Estate Partners, two investment firms.<sup>17</sup>

Unfortunately, these businesses were not kept at arm’s length when Pritzker became Commerce Secretary. In 2014, a *Chicago Tribune* reporter spent a day with Secretary Pritzker. She dipped

out midday for a “lunch and learn” with one of her investment firms.<sup>18</sup> During this period, her companies went on an astonishing buying spree.

As revealed in Peter Schweizer’s 2018 book *Secret Empires: How the American Political Class Hides Corruption and Enriches Family and Friends*, buildings owned by Pritzker’s companies were leased to Commerce Department agencies, such as the US Patent and Trademark Office, and to Commerce Department contractors. Artemis even hired Dan Tangherlini, the head of the GSA, which handles leasing for the federal government, as its new COO.<sup>19</sup>

In 2015, the Clean Energy Trust, a Chicago-based non-profit supporting clean energy start-ups through business development, received funding through a \$10 million grant program administered by the Department of Commerce. It was the only Chicago-area group to receive such funding and its board of directors was co-chaired at the time by Penny Pritzker’s cousin, Nick Pritzker.<sup>20</sup>

### Wilbur Ross

Wilbur Ross, President Donald Trump’s pick for Commerce Secretary, very much followed the Pritzker model. A billionaire investor, Ross had known Trump for decades. In 1990, with Trump close to defaulting on the Taj Mahal, it was Wilbur Ross, then at investment banker and head of the bankruptcy advising team at Rothschild Inc., who intervened with bondholders, ensuring that Trump would retain control of the property.<sup>21</sup>

When, in 2013, Jared Kushner was seeking partners to buy up distressed industrial properties in Brooklyn’s Dumbo neighborhood, Invesco, which purchased WL Ross & Co. in 2006, picked up the phone.<sup>22</sup>

Ross’s biggest successes as a private investor came from 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.<sup>23</sup>

When he needed a Commerce Secretary, Trump turned to Ross. Once again, Ross was in the tariff game, only this time he was not just a businessman, but a key policymaker in the Trump administration.

Like Pritzker, concerns about his wealth dogged Ross’s tenure. Forbes, which for years had listed Ross on its list of billionaires, accused Ross of exaggerating his wealth. Information gleaned from his financial disclosures cast doubt on his reported net worth.<sup>24</sup>

At times, Trump reportedly expressed displeasure with Ross’s trade deals, particularly with China. However, Ross remained in his role at Commerce for the duration of the Trump administration.<sup>25</sup>

Troublingly, Ross's ethics agreement allowed him to keep his interests in several shipping companies, despite significant overlap with his new duties as Secretary of Commerce.<sup>26</sup>

One company, Nautical Bulk Holdings Ltd., was significantly involved in industries targeted by the trade war. According to GAI's analysis, the majority of the cargo carried into the US by Nautical Bulk's ships was subject to the new tariffs. Sixty-two percent consisted of South Korean steel or related products. Ross helped negotiate a trade deal with South Korea, exempting them from those tariffs.<sup>27</sup>

He also kept stakes in the Transportation Recovery Fund (TRF), which holds a variety of shipping interests. TRF ships carry a diverse array of goods, including, prominently, auto parts. Under Ross, the Department of Commerce began an 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. GAI's 2018 analysis found that, of the almost 1,400 imports to the US on TRF ships since 2015, 60 percent originated from the European Union, with over 16 percent coming from Germany alone.<sup>28</sup>

Ross also served as chairman of Diamond S Shipping. WL Ross & Co. owned 32 percent of Diamond S, according to 2014 filings with the Securities and Exchange Commission (SEC). 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.<sup>29</sup> Diamond S Shipping has managed 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.<sup>30</sup>

Another company, Navigator Holdings, frequently carried cargo for Petkim Petrokimya, a major Turkish oil company.<sup>31</sup>

## Influence at Commerce

One of the most frequently noted and examined aspects of any government office is the revolving door of staff between government, industry, media, and academia/consulting. Many people have made a lucrative career shuffling back and forth between these. The Commerce Department is no different. A department dedicated to working with businesses around the world and controlling import and export enforcement offers many incentives to go through the revolving door from public sector to private sector. And revolve it does. In any given year, 35 to 40 percent of the 2,000 or so lobbyists lobbying the Commerce Department are "revolvers," who have been at one time either the influencer or the influencee.

The Commerce Department is one of the most lobbied entities in the federal government. Besides the White House and both chambers of Congress, Commerce consistently ranks as one of the most lobbied Cabinet departments. The table below presents the lobbying activity for selected federal entities over the last ten years.

## Number of Clients and Lobbyists Targeting Selected Federal Entities Since 2011

Year	State	Defense	Commerce	White House
2011	674/1,976	1,188/2,079	712/1,995	954/2,781
2012	667/1,914	1,086/2,027	739/2,073	904/2,597
2013	657/1,989	945/1,894	713/2,018	915/2,567
2014	637/1,841	861/1,767	733/2,067	897/2,448
2015	621/1,766	743/1,534	665/1,963	786/2,294
2016	576/1,675	694/1,453	622/1,853	761/2,151
2017	566/1,548	707/1,483	786/2,201	1,086/2,876
2018	586/1,644	751/1,595	947/2,391	1,083/2,753
2019	635/1,789	776/1,710	863/2,373	1,137/2,740
2020	687/1,805	884/1,769	841/2,260	1,406/3,034
2021	660/1,613	880/1,626	878/2,258	1,401/3,052

Source: *OpenSecrets.org*

Note: The first number is the number of clients and the second is the number of lobbyists that lobbied the department that year.

Commerce has more lobbyists and clients every year than State, more clients than Defense in some years, and more lobbyists there in every year. Only the White House consistently surpasses Commerce in both measures.

All this activity creates opportunities for the enterprising political professional. We profile a few as examples of the thousands who are involved every year.

## Trade Issues

### Tariffs and the Trade War

According to OpenSecrets, more companies paid to lobby the Commerce Department in 2018 than any year since 2002.<sup>32</sup> That increase came as the growing trade war with China became a major political football.

The Commerce Department conducts Section 232 investigations, referring to section 232 of the Trade Expansion Act of 1962, which examine the effects of imports on US national security.<sup>33</sup> Commerce also processes requests for exclusions from tariffs, giving the Department extraordinary influence over international business.<sup>34</sup>

OpenSecrets found that 947 clients paid to lobby the Trump administration on trade issues in 2018, a 52 percent increase from 2016. Lobbying spending by steel companies increased by 20 percent compared to 2017.<sup>35</sup>

The Government Accountability Office (GAO) found that the Commerce Department, swamped by requests from companies, could not even meet its own processing deadlines for tariff

exclusion requests.<sup>36</sup> “The dinner bell is ringing for the trade bar and associated lobbyists and consultants,” one former trade attorney told reporters at the *New York Times*.<sup>37</sup>

Trade issues became a cottage industry for lobbyists with close ties to the Trump administration. ProPublica reported that Michael Best Strategies, the lobbying firm which employs former White House Chief of Staff Reince Priebus, lobbied for tariff exemptions on behalf of Wisconsin-based Primex, which manufactures high-precision measuring equipment.<sup>38</sup> About half of Primex’s tariff exclusion requests were ultimately approved.<sup>39</sup> Ballard Partners, run by Trump’s Florida fundraising chief, represented a number of clients, including Chinese solar panel manufacturers and a Turkish steel company, on trade issues.<sup>40</sup> Bryan Lanza, who worked as communications director for the Trump transition team, registered to lobby for China’s Yuhuang Chemical. It has paid Lanza’s firm over \$1 million since he first registered to lobby for them in 2018.<sup>41</sup>

For people with inside knowledge of the Commerce Department, the trade war represented a massive new financial opportunity.

### Wendy Teramoto

A longtime aide to Wilbur Ross, Wendy Teramoto followed him to the Commerce Department, where she worked as his chief of staff. Originally, Teramoto was hired as a special government employee (SGE), a temporary status that allows government officials to skirt ethics rules that apply to most federal employees.<sup>42</sup>

ProPublica found that, during her tenure at Commerce, Teramoto kept her position at WL Ross & Co., Wilbur Ross’s former investment firm, and her board seat at the Greenbrier Companies, a railroad car manufacturer partly owned by WL Ross & Co.<sup>43</sup>

Another report by American Public Media found that Teramoto remained on the board of Navigator Holdings Ltd., a Ross-owned shipping firm specializing in transporting liquefied natural gas (LNG), while negotiating an agreement to increase LNG exports to China.<sup>44</sup> Commenting on the deal, Ross told Bloomberg that “a lot of the work was really done by Wendy Teramoto, my chief of staff.” Teramoto remained on the board until July 2017, months after Ross announced the trade deal with China.<sup>45</sup>

APM also found that Teramoto remained a director at two other Ross-owned shipping companies: Diamond S. Shipping, which also counts the state-backed China Investment Corporation as an investor, and Nautical Bulk Holdings Ltd.<sup>46</sup> As stated earlier, Nautical Bulk was heavily involved in industries targeted by Commerce Department policy at the time: much of the company’s US-bound cargo was found to be subject to tariff policy that Ross was helping to shape.<sup>47</sup>

### International Automotive Components

In 2018, Ross helped to negotiate a new trade agreement with Canada and Mexico to replace the previous North American Free Trade Agreement (NAFTA). That agreement, commonly referred to as the United States–Mexico–Canada Agreement (USMCA), exempted Canada and Mexico from tariffs, provided that they met certain conditions.<sup>48</sup>

When the deal was formalized in 2020, Ross took to Twitter to publicize his latest success: “This historic trade agreement will create more balanced, reciprocal trade and will put American manufacturing and American workers first.”<sup>49</sup>

What Ross did not mention is his role in the market for automotive parts, a major industry affected by the trade agreement.

In 2005, WL Ross & Co. began acquiring companies that make interior trim for automobiles, a struggling industry at the time. As he had done with steel a few years before, Ross picked up the pieces of these disparate operations and combined them into a single conglomerate called International Automotive Components (IAC).<sup>50</sup>

The company filed for an initial public offering (IPO) in 2013.<sup>51</sup> In its IPO prospectus, IAC claimed that its “global operations include manufacturing facilities in Belgium, Canada, China, the Czech Republic, Germany, India, Japan, Malaysia, Mexico, the Netherlands, Poland, Romania, Slovakia, Spain, Sweden, the United Kingdom and the United States” That included seven manufacturing facilities in Mexico alone, with an eighth acquired in 2015.<sup>52</sup>

The USMCA kept tariffs off cars that include at least 75 percent of their components from the US, Canada, and Mexico.<sup>53</sup>

But the USMCA was not the only trade deal with consequences for IAC. In September 2017, Wilbur Ross traveled to China for preliminary trade discussions with Chinese leaders.<sup>54</sup> As Forbes later exposed, that same month, IAC finalized a 30 percent stake in a new joint venture with a Chinese textile company called Shanghai Shenda. At the time, Ross still personally held his stake in IAC.<sup>55</sup>

It was far from IAC’s first Chinese deal. Two years before, in 2015, IAC announced the acquisition of its fourteenth facility in mainland China in less than a decade.<sup>56</sup>

Ross was a critical voice in setting tariff policy and negotiating new trade agreements impacting the automotive industry. In May 2018, the Trump administration launched a Section 232 investigation of the automotive industry. That investigation concluded a year later. Trump threatened to impose a tariff of up to 25 percent on automotive imports, but ultimately did not act within the timeframe allowed by the investigation.<sup>57</sup> Even more strangely, Ross’s Commerce Department refused to release its findings, even after Congress ordered the department to do so. The report was not released until July 2021, almost six months after Ross left office.<sup>58</sup>

## Eric Branstad

Eric Branstad joined the Commerce Department as a “Senior White House Advisor” to Wilbur Ross.<sup>59</sup> His father, Terry Branstad, was the long-serving governor of Iowa and an early supporter of Trump’s 2016 bid. When Trump won, Branstad was rewarded with a critical job in the new administration—Ambassador to China.<sup>60</sup>

Like his father, Eric Branstad eventually joined the Trump campaign as Director for Iowa. Trump won Iowa by more than nine points.<sup>61</sup> Also like his father, he received a federal job once

Trump took the White House. Eric Branstad's new job conveniently placed him near the centers of power behind trade policy. He had access to the White House, the Secretary of Commerce, and his father, the ambassador.<sup>62</sup>

Marcus Branstad, the family's youngest son, is a longtime lobbyist for the American Chemistry Council (ACC), a powerful trade group representing American chemical companies.<sup>63</sup> In 2018, it welcomed China's Wanhua Chemical (America) Co. to its ranks, giving a Chinese firm access to the influential lobbying group.<sup>64</sup>

The ACC spent over \$16 million lobbying the federal government in 2017 and 2018.<sup>65</sup> The group strongly opposes tariffs.<sup>66</sup> In 2018, China imposed retaliatory tariffs on US ethanol imports.<sup>67</sup> And while the ACC was lobbying against tariffs, Eric Branstad held an influential position at the department tasked with implementing them.

The Trump administration raised eyebrows when, in May 2018, Trump announced on Twitter that he was working on a deal to lift the restrictions against ZTE, one of China's largest telecommunications companies.<sup>68</sup>

In 2017, ZTE entered into settlements with US government agencies to address allegations of export controls and sanctions violations for shipments to Iran and North Korea. As part of the settlement, the Commerce Department imposed a denial order against ZTE barring American companies from selling sensitive technologies to them, but suspended enforcement of the order. In April 2018, Commerce lifted its suspension of the order after it found that ZTE misled regulators about compliance measures implemented as part of their settlement.<sup>69</sup>

Months before Trump tweeted his intent to cut a deal for ZTE, Eric Branstad had left the administration to join lobbying mega-firm Mercury. The day after Trump's tweet, ZTE signed a \$75,000 per month lobbying contract with Mercury. Eric never registered to lobby on behalf of ZTE. Yet, as the Intercept later reported, Branstad was accompanied on his China tour by fellow Trump administration alumnus Bryan Lanza, who was a registered lobbyist for ZTE.<sup>70</sup>

The Senate rejected Trump's proposed deal with ZTE in June 2018. Nonetheless, Commerce renegotiated its settlement agreement with ZTE that month, which included a \$400 million escrow deposit to a US bank account and a \$1 billion penalty payment to the US Treasury. By the following month, Commerce had lifted its denial order altogether.<sup>71</sup>

Mercury represents several other clients deeply interested in the former Trump administration's policy toward China, including Hikvision, a Chinese manufacturer of surveillance equipment. The Commerce Department blacklisted Hikvision and other surveillance vendors tied to human rights abuses in Xinjiang.<sup>72</sup>

#### Branstad and InterDigital

In 2019, Mercury was hired by an American tech firm called InterDigital. As part of the deal with Mercury, the firm would lobby the federal government on various intellectual property issues on InterDigital's behalf—including the White House, Commerce Department, and the US

Trade Representative's Office. Mercury disclosed that Eric Branstad was lobbying on InterDigital's behalf—a claim that he later contested.<sup>73</sup>

InterDigital is one of the leading American owners of wireless networking patents.<sup>74</sup> Unlike its more famous competitors, InterDigital does not manufacture networking equipment. Instead, the company licenses its designs to other manufacturers, including Chinese giants like Huawei and ZTE.

Odd as that model may seem, it is hard to argue with the results. “[P]er employee, InterDigital is the most profitable company in the US, with a net income of \$937,255 per worker, according to Bloomberg's just-released visual compendium of data,” said a 2013 profile in *The Atlantic*, “And the only thing InterDigital produces is designs for new technology—and the occasional lawsuit.”<sup>75</sup> Therein lies the twist. InterDigital's aggressive approach to IP enforcement has earned it a reputation as a patent troll. By 2018, InterDigital was locked in years-long legal disputes with Huawei and ZTE over what it claimed were insufficient licensing fees for its technology. The dispute quickly escalated in 2013 when Chinese authorities opened an anti-monopoly investigation into InterDigital. Later that year, InterDigital executives even refused to attend a meeting in China over fears they would be taken into custody.<sup>76</sup>

The Trump administration took a hard line on ZTE and Huawei, particularly over their abuse of Western intellectual property. In May 2019, the Commerce Department added Huawei to its “Entity List,” restricting the sales of networking components to Huawei and its affiliates. The new rules made it difficult for companies like Qualcomm to sell their chips to these Chinese conglomerates. Conveniently, however, for InterDigital the rules only applied to physical goods—not the intellectual property behind the sensitive tech.<sup>77</sup>

Shortly after, InterDigital settled its disputes with ZTE and Huawei. William Merritt, InterDigital's CEO, credited the Trump administration for bringing the disputes to a close.<sup>78</sup>

InterDigital CEO William Merritt, head of a company that helps develop 5G wireless technology standards, credits President Trump's tough stance on Chinese intellectual property theft with the recent resolution of a decade-long conflict with Chinese telecom giant ZTE.

...

“I think [Trump's stance] was very important,” Merritt told FOX Business. “There were a number of factors at work, but the administration's very strong emphasis on IP protection – their focus on ZTE, frankly. Not only did they focus on them with respect to the entities list, there's ongoing monitoring of ZTE. I think that was very, very impactful.”

Eric Branstad denied lobbying on behalf of InterDigital, despite being listed on its lobbying disclosure. But, in Merritt's telling, his former colleagues at the Commerce Department effectively settled a dispute on behalf of one of his clients. And his father also happened to play a key role in highlighting Huawei's abuse of American IP. Following the arrest of Huawei's CFO in Canada in late 2018, China summoned Ambassador Branstad to Beijing, where party officials demanded her release.<sup>79</sup>

Eric Branstad took on a leadership role with the 2020 Trump campaign. Eventually, Terry Branstad resigned in September 2020 to rejoin the Trump campaign.<sup>80</sup>

Ultimately, Terry Branstad followed his son through the revolving door. In 2021, he opened his own consulting shop, the Branstad Churchill Group, with his longtime chief of staff Steven Churchill. The group offers to be clients' "bridge between the U.S. and China."<sup>81</sup>

## The Revolving Door

Albert Wynn won election to the Maryland General Assembly in 1983. After spending ten years there, four in the House and six in the Senate, he was elected to Congress in 1992 and represented Maryland's 4th District for the next fifteen years. In 1997, Wynn joined the House Energy and Commerce Committee, the committee with the broadest portfolio in the House and with oversight of much of the Commerce Department's functions. In 2007, he became a subcommittee chairman. However, Wynn lost his primary, resigned from the House in mid-2008, and became a partner of the lobbying firm Dickstein Shapiro LLP. In 2014, he went to work as a lobbyist for Greenberg Traurig, LLP.<sup>82</sup>

In more than thirteen years as a lobbyist, Wynn has represented many firms before the Commerce Department, including Hyundai Motor Corporation and Samsung Electronics. Samsung has been hiring American lobbyists while creating joint partnerships in mainland China. To achieve this goal, many companies like Samsung have sought out high-profile lobbyists, including former congressmen and staffers like Wynn to wield their influence to smooth trade in their favor. In 2017, Wynn's influence and that of fellow lobbyists Tim Hutchinson, Charlie Bass, and Laurence Levy was worth \$590,000 to Samsung, making them among the highest paid of the forty-two lobbyists that Samsung hired that year.<sup>83</sup>

Not every person swinging through the revolving door is a former elected official like Albert Wynn. Far more such people wear the vague label of having been a "senior staff member." Duane Gibson is one of those.<sup>84</sup>

A consummate insider known by few outside government circles, Gibson is among the people who run the day-to-day activities of the government and, in the process, accumulate a long and powerful list of contacts. Gibson graduated from Georgetown Law and then just moved down the street for his employment. He was a senior staff member for the House Committee on Resources, the House Committee on Transportation and Infrastructure, and for Sen. Ted Stevens (R-AK).<sup>85</sup>

Gibson became a lobbyist after working in the House and Senate. He currently lobbies for The Livingston Group founded by former Rep. Robert Livingston (R-LA).<sup>86</sup>

In 2020, 2,260 individuals registered to lobby the Commerce Department. Of those, 1,133 were revolvers but only about thirty are former elected members like Albert Wynn or Robert Livingston.<sup>87</sup> They are highly influential and well paid but relatively rare, and over 1,000 of those revolvers are like Duane Gibson: they spent a decade or two in the trenches of government accumulating knowledge of how the system works. In addition, these revolvers have built a network of contacts to know who holds the real power to make things happen in DC. Armed with

that knowledge, they can then trade on that for a dozen clients a year paying \$50,000 to \$70,000 each to gain access and influence with the Commerce Department.

The Commerce Department has the major responsibility of regulating issues with national security implications, making it a hotspot for revolving door-style influence.

The Department has a seat on the Committee on Foreign Investment in the United States (CFIUS), an interagency group housed in the Treasury Department that reviews the acquisition of potentially sensitive US assets by foreign companies.<sup>88</sup>

Theodore Kassinger once worked in the Commerce Department as General Counsel and later as Deputy Secretary of Commerce under President George W. Bush. Now he plies his trade as a partner in the DC office of O'Melveny & Myers, advising companies on international trade issues.<sup>89</sup>

During the Trump administration, Kassinger found work as Secretary Ross's personal attorney to handle various ethics issues, including Ross's annual financial disclosures, and an agreement with the Office of Government Ethics. Kassinger was also involved in responding to press scrutiny of Ross's conflicts of interest.<sup>90</sup>

At the same time that he was representing Ross, Kassinger was also working for Broadcom, a major semiconductor manufacturer based in Singapore, during that company's attempted takeover of Qualcomm. Broadcom's products are regulated by the Commerce Department's Bureau of Industry and Security. Eventually, CFIUS intervened on behalf of the Commerce Department and scuttled the sale.<sup>91</sup>

In May 2019, the Commerce Department added Huawei and sixty-eight of its non-US affiliates to what is known as the "Entity List," restricting companies from selling sensitive technology, particularly semiconductors.<sup>92</sup> It was particularly bad news for Broadcom, whose sales were expected to take a \$2 billion hit from the decision.<sup>93</sup> That year, Broadcom's lobbying more than doubled, from \$1.3 million to \$2.8 million, between 2018 and 2019.<sup>94</sup>

In some ways, these are the most interesting because they have their jobs due to their innate abilities to be successful at it and not because of a ready-made contact list. If a firm needs a big presence and personality who can get a door opened, it looks for a former elected official. If it needs to understand and influence arcane detail of a law or regulation, it will hire a staffer who may well have helped to write the regulation. If it wants someone who is really going to work hard to achieve its clients' goals, it will go after the lifelong professional who does not have a political landing pad after the next election.

Amy Wolverton is an example of such a person and because of this she has the most interesting portfolio of our three examples. Wolverton is a lobbyist for Advanced Micro Devices (AMD) and played a key role in facilitating a joint venture between AMD and the Chinese firm Tianjin Haiguang Advanced Technology Investment Co., Ltd.<sup>95</sup>

The 2016 joint venture was formed to help the Chinese firm to reduce its dependency on foreign semiconductor companies by having an ownership interest in a semiconductor manufacturer.

However, in 2019, the Commerce Department placed the joint venture on the export control list, which severely limits the firms' ability to transfer any technology on the list to China.<sup>96</sup>

Wolverton, who is part of AMD's government affairs office, lobbied on the Export Control Act, the Foreign Investment Risk Review Modernization Act (FIRRMA) and several other technology and trade bills.<sup>97</sup> She also lobbied non-legislative decision-making bodies within government such as the Committee on Foreign Investment in the United States (CFIUS), which among other responsibilities oversees the implementation of FIRRMA. As the CFIUS website states "FIRRMA strengthens and modernizes CFIUS to address national security concerns more effectively, including by broadening the authorities of the President and CFIUS to review and to take action to address any national security concerns arising from certain non-controlling investments and real estate transactions involving foreign persons."<sup>98</sup>

Wolverton has lobbied CFIUS to the benefit of AMD and its China partners, including the AMD-Tianjin Haiguang joint venture that was approved, even though similar deals have been blocked. CFIUS decides these proposals on a case-by-case basis and effective lobbying and political action can be effective and worth the investment to the firms involved.

Wolverton and AMD are just a piece of the larger picture. Chinese firms have been able to influence American trade policy to their advantage through arm's length lobbying efforts like AMD's. The basic approach is to have American partners' lobbyists influence trade policy to the ultimate benefit of Chinese firms.

## The Bureau of Industry and Security

CFIUS is not the only board with influence and control over trade. The Bureau of Industry and Security is a Commerce Department division that has discretion over which countries and goods are listed on the Validated End User list. As they themselves say, "Validated End-Users (VEUs) are designated entities located in eligible destinations to which eligible items may be exported, reexported, or transferred (in-country) under a general authorization instead of a license."<sup>99</sup>

Industry and Security maintains and administers this list that determines which items and companies can engage in exports with minimal restrictions – a fast-track process. If your firm or its items are on the list, it is very valuable. As of October 2021, the only firms listed are from mainland China, except for one from India.<sup>100</sup>

Placement on the list requires an application process and the final decision is determined by "The End-User Review Committee (ERC), composed of representatives of the Departments of State, Defense, Energy, and Commerce, and other agencies as appropriate, is responsible for determining whether to add to, to remove from, or otherwise amend the list of VEUs and associated eligible items. The Department of Commerce chairs the ERC."<sup>101</sup>

The ERC regularly make decisions that produces headlines like this: "Additions to the List of Validated End-Users in the People's Republic of China: Samsung China Semiconductor Co. Ltd. and Advanced Micro-Fabrication Equipment, Inc., China."<sup>102</sup>

Getting on the list is expensive. *Staying* on the list can be even more so. AMD spent millions on lobbying in an effort to get on this list which happened in 2010. Another firm that pushed hard to be added was Samsung China, which was added to the VEU in 2013.<sup>103</sup> As a whole, the Samsung Group spent \$150,000 on lobbying in 2011, but increased this expense sixfold to \$900,000 in 2012. Staying on the list is expensive and Samsung now regularly spends millions in lobbying, including \$3.7 million in 2021.<sup>104</sup> This is not all spent to maintain its position on the VEU list, but the latter allows the company to trade in more goods. In essence, its entire portfolio is closely tied to political decisions so it must continue to invest in political influence to maintain its status in the industry.

The table below summarizes the current VEU list.<sup>105</sup>

<b>Firm</b>	<b>Country</b>
Advanced Micro Devices China, Inc.	China
Advanced Micro-Fabrication Equipment, Inc.	China
Applied Materials (China), Inc.	China
Boeing Tianjin Composites Co. Ltd.	China
CSMC Technologies Corporation	China
Intel Semiconductor (Dalian) Ltd.	China
Lam Research Service Co., Ltd.	China
Samsung China Semiconductor Co. Ltd.	China
Shanghai Huahong Grace Semiconductor Manufacturing Corp.	China
SK hynix Semiconductor Ltd.	China
GE India Industrial Pvt Ltd.	India

However, the VEU is not the only list that Industry and Security maintains and enforces, there is also the Military End-User, or MEU. Unlike the VEU, which is beneficial, the MEU is a list that a firm does not want to be on. Inclusion on this list not only prevents a firm from enjoying fast-track trade status, but also from conducting any trade at all in a worst-case scenario. The MEU currently includes more than 100 firms, predominantly Chinese and Russian. An Industry and Security supplement from February 2022 anticipates adding firms from Venezuela and Burma/Myanmar, although it is not clear when that would happen.<sup>106</sup>

## Economic Development and the Qualified Opportunity Zone (QOZ) Program

Opportunity zones are low-income census tracts which are designated by the governor of the state in which they reside and eventually affirmed by the Treasury Department. In these zones, investors can put forth capital from Qualified Opportunity Funds (QOFs) and receive deferments

on any taxes to be paid for any capital gains made from the investment. As of 2018, there are about 8,700 of these designations representing a **\$6 trillion market**.<sup>107</sup>

When establishing QOFs, at least 90 percent of the fund's assets must be held in qualifying property within the zone. When a fund fails to meet this requirement, the Treasury assesses monthly penalty fees, but does not disqualify the fund.<sup>108</sup>

Opportunity zones were created as a provision of the Republican Tax Cuts and Jobs Act (TCJA) passed under the Trump administration in December 2017. The bill was introduced by Kevin Brady (R-TX), but the opportunity zone program itself was spearheaded by Senators Corey Booker (D-NJ) and Tim Scott (R-SC), and House members Pat Tiberi (R-OH) and Ron Kind (D-WI). The first set of designations took place in April 2018.<sup>109</sup>

Investments in these areas can enjoy preferential tax treatment. Also, eligible gains for such investments qualify for a tax deferral until the investment is sold. Investments maintained for at least five years receive a 10 percent exclusion, upped to 15 percent if held for seven years. Past ten years, no tax on capital gains is owed.<sup>110</sup>

The “chief executive officer of the State,” generally a governor, nominates census tracts within his or her state and submits the list to the Treasury Department.<sup>111</sup> For tracts to be nominated, they must meet eligibility criteria based on poverty rate, median family income, and proximity to other tracts meeting those conditions. These nominations are then reviewed by Treasury officials and certified, if eligible.<sup>112</sup>

### The Origin of Opportunity Zones

Well before “opportunity zones,” as they are now called, another politician had been making the case for a similar idea.

Decades prior, Jack Kemp, known famously as the former professional football player turned politician, began advocating for something called “enterprise zones,” generally seen to be the predecessor to opportunity zones. He had spent his previous political years in the House of Representatives from 1971 to 1989 honing his interest in advocacy for affordable housing but, it was not until he became the Secretary of Housing and Urban Development under President George H.W. Bush that he began formally proposing the idea of development zones centered exclusively on capital gains-based tax incentive.<sup>113</sup>

Kemp was unsuccessful in his attempts to popularize the idea or cooperate effectively on compromised alternatives. But, to some extent, he left a legacy as an informal father and champion for the concept. The Jack Kemp Foundation, chaired by Kemp's son, Jimmy Kemp, has continued to promote opportunity zones.<sup>114</sup>

### From Enterprise Zones to Opportunity Zones

While enterprise zones did not find success in the way that Kemp had intended, there were experiments with the zones following Kemp's departure from office. States began setting up enterprise zones in significant amounts – 800 of them by the mid-1990s.<sup>115</sup>

In 1993, Congress enacted the Clinton administration's proposal of a similar concept: "empowerment zones." In late 1994, Clinton announced the designation of 104 empowerment and enterprise zones. In particular, twelve cities were designated as empowerment zones in 1995. A 2015 paper titled *Unlocking Private Capital to Facilitate Economic Growth in Distressed Areas* by the Economic Innovation Group (EIG) reviewed some past attempts at opportunity zones and found them to be lackluster.<sup>116</sup>

Despite this, by the time the Trump administration decided to try again with the TCJA, the opportunity zones idea had a new cast of backers. Among the loudest in the cheering section: the Milken Institute.<sup>117</sup>

The Milken Institute is a think tank founded in 1991 by Michael Milken, famously known for a junk bonds scheme in the 1980s that led to a ten-year prison sentence. After serving under two years and paying a hefty sum in fines and settlements, Milken turned his efforts toward medical philanthropy and some quiet political advocacy on the side.<sup>118</sup> The Institute, focused on networking through events like summits and fundraisers, spends tens of millions on lobbying every year.<sup>119</sup>

The institute was an early supporter of the opportunity zone project, hosting conferences and panels to discuss the program.<sup>120</sup> In 2020, the Economic Development Administration (EDA) even acknowledged the institute as a source on official government publications.<sup>121</sup>

### Do QOZs Work?

Because opportunity zones are parsed out via nominations by local leadership and approval by the Treasury Department, those with connections to the administration or rule makers can be given preference as to who may receive the benefits of the program.

As the EIG and others determined, the program was open to abuse and corruption.

In 2020, a research paper concluded that QOZs in places where the local congressional representative was of the same political affiliation as the governor were up to 25.6 percent more likely to be selected.<sup>122</sup> Several studies have shown QOZs to be unsuccessful, the main criticism being that the system is set up so that the richest investors reap the most benefit.<sup>123</sup> The GAO, like the EIG, determined in a 2020 study that Treasury had a general lack of information and oversight, and that Congress failed to assign data collection responsibilities to any particular agency. Because of this, GAO determined there was insufficient evidence to confirm the program's success.<sup>124</sup>

It looks as though QOZs have little hope to adequately meet their intended purpose but, because they are so new, and the tax benefits afforded by the program require investments to be held for at least five years, it is impossible to say for sure. Despite this, investment in opportunity zones has increased since the program's inception.<sup>125</sup>

In the late 2010s, four states estimated their expected revenue losses from the QOZ program: Georgia, Oregon, Wisconsin, and Maine – the first three of which expected those losses to exceed \$10 million with Maine between \$1.5 and \$2.5 million.<sup>126</sup>

## Abuse

As of January 2021, there have been more than 600 grants issued by the EDA supporting development in opportunity zones, accounting for close to \$1 billion dollars in funding out of a total \$1.35 billion.<sup>127</sup>

Of that, more than \$66 million has gone to Republican Sen. Tim Scott’s home state of South Carolina. The town of Walterboro, with a population around 5,500, received a whopping \$15.67 million grant in 2020 to improve its wastewater management system.<sup>128</sup> It was, by far, the largest such grant made in the entire state that year.<sup>129</sup> In 2019, the EDA gave \$3 million to support Kearny Point, a Newark-area redevelopment project spearheaded by longtime Cory Booker supporter Wendy Neu.<sup>130</sup> Michael Meyer, who manages the project, served as Newark’s Director of Real Estate and Housing during Booker’s tenure as mayor.<sup>131</sup>

The potential upside for investors has only grown. The grant data currently available excludes over \$4 billion in new funding enacted under the Trump and Biden administrations, including \$1.5 billion from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and an additional \$3 billion from the American Rescue Plan Act of 2021.<sup>132</sup> For developments in, or even near, opportunity zones, the potential for funds is nearly limitless.

It is clear why the political class is lining up to benefit.

Shafron “Shay” Hawkins, a former senior policy advisor<sup>133</sup> to Sen. Scott and one of the creators of the opportunity zone program, partnered with a lobbyist and former chief of tax and tax counsel to former Rep. Jim Renacci (R-OH) (another of the TCJA bill co-sponsors) to form the Opportunity Funds Association, which bills itself as a “chamber of commerce” for opportunity zones.<sup>134</sup> Hawkins announced his own bid for Congress at the end of 2021.<sup>135</sup>

So far, a number of wealthy and politically connected investors have positioned themselves to benefit as well.

## Jared Kushner and Cadre

Cadre is a digital real estate investment platform co-founded in 2014 by Joshua and Jared Kushner alongside their Harvard classmate, Ryan Williams.<sup>136</sup> The firm focuses on two things. Deal-by-Deal investing, in which individual retail investors can pick and choose securities to invest in, and the Cadre Direct Access Fund, a portfolio of real estate access selected by Cadre’s staff. In this way, Cadre helps to connect investors with properties, including its own.<sup>137</sup>

When Kushner became the White House Senior Staff Advisor under Trump in January 2017, he was supposed to divest fully from any holdings that could present a conflict of interest, as dictated by a required Certificate of Divestiture. While this was going on, Kushner filed a financial disclosure form on which he failed to include his stake in Cadre.<sup>138</sup>

This is despite the fact that officials from the company had even requested that Kushner divest in 2019.<sup>139</sup> At the time, he claimed that this was because his holding company, BFPS Ventures had purchased his stake, but the corresponding disclosure revealed the valuation for that stake to be \$100,000 - \$250,000, while subsequent disclosure later showed the amount to be between \$25 million and \$50 million in value.<sup>140</sup>

Part of this valuation includes unmentioned investments from George Soros, Peter Thiel, and Goldman Sachs, where Cadre's CEO, Williams cut his teeth.<sup>141</sup> In the first two years of the Trump administration, Cadre's valuation more than doubled, allowing for the potential gain of millions of dollars for Kushner, income that would be taxed at a low rate due to conditions allowed by federal ethics rules. This has spurred ethics concerns from multiple parties.<sup>142</sup>

Kushner and his wife, Ivanka Trump, were big proponents of the opportunity zone program when it was being developed and while Kushner was the director of the Office of American Innovation, an advisory position created for him by Trump.<sup>143</sup>

Cadre includes a myriad of literature on its website about how to invest in the zones, most of which was released while Kushner retained his stake.<sup>144</sup> Cadre's managing director and head of investments, Dan Rosenbloom, and a VP of business development were both participants in a summit on opportunity zones to represent Cadre as an "early leader in the Opportunity Zone space."<sup>145</sup>

The Kushner Companies also has stakes in about twelve other QOZs, although it is uncertain if they have taken advantage of the tax breaks.<sup>146</sup>

#### Dan Gilbert

Dan Gilbert, founder of Quicken Loans and owner of the Cleveland Cavaliers, is positioned to benefit substantially from the opportunity zone program. He is also a family friend of the Trumps, having attended a midterm election viewing party at the White House and President Trump has called him "a great friend."<sup>147</sup> Ivanka Trump also appeared at one of his Detroit properties for a panel discussion on STEM programs in school pledging \$300 million in grant funds in conjunction with several large companies such as Amazon, Google, and General Motors. These funds are aimed at the Detroit Public School District and Highland Park areas, both of which are encompassed by opportunity zones. Gilbert was also a major donor to Trump's inaugural fund the same year the TCJA was passed, donating \$750,000.<sup>148</sup>

For this it appears that he bought himself some future tax cuts for multiple properties, some of which were not even located in places eligible for the program.<sup>149</sup> In an internal email between Michigan Economic Development Corporation (MEDC) officials, Christine Roeder recognizes this relationship when asking two colleagues to reach out to Quicken with regards to coordination with the White House.<sup>150</sup> This correspondence takes place in February 2018, while the first round of zone selection is also being processed. In fact, it seems that Quicken was involved enough to have one of its prominent lobbyists, Jared Fleisher's name appear on a map used by the city's economic development organization used to recommend zones.<sup>151</sup>

How necessary was it for Fleisher to be involved? As if Gilbert's billionaire status was not enough to make him a questionable recipient of the tax breaks, it should be noted that within two weeks of the MEDC email, the administration adjusted the list of Detroit's zones to include a previously excluded one where Gilbert controlled much of the real estate. This zone had been left out because it did not meet eligibility requirements due to its level of wealth. Fleisher's involvement seems to have had some effect, especially considering Quicken's substantial increase in lobbying in 2018. A few weeks later, then-Michigan Governor Rick Snyder nominated three more Gilbert-owned tracts of land to be zones as well.<sup>152</sup>

### Pete Buttigieg

In August 2018, just months after the implementation of opportunity zones, Mayor Pete Buttigieg of South Bend, Indiana wrote an op-ed in which he expressed great excitement and anticipation for the benefit of opportunity zones in his city. Buttigieg enthusiastically mentioned his partnership with Accelerator For America (AFA), a group founded by Los Angeles Mayor Eric Garcetti, and a political action committee aimed at fostering economic development in needy areas.<sup>153</sup> AFA's intense focus on opportunity zones is ironic as an article would later appear on AFA's website about the inherent flaws in the QOZ program,<sup>154</sup> but Mayor Pete's article was surprising for several reasons.

The first is because Buttigieg later called for the repeal of Trump's 2017 tax law, which included the opportunity zone program.<sup>155</sup> The second is because he explicitly referenced a swath of four census tracts that make up downtown South Bend. Buttigieg went on to boast about the amount of monetary value spread between some of the city's major industrial parks such as Innovation Park which "holds 29 startup companies, 15 of which have secured external equity backing" and Ignition Park, which is "home to the \$36 million Turbo Machinery Lab, a leading center of aerospace industry research." Both of these are funded by the region's largest private employer, the University of Notre Dame, which Buttigieg pointed out has more than doubled its regional spending since 2006. He also mentioned that the central business district "encompasses or is proximate to five of [the] city's largest employers, including Notre Dame." Ten of the entities in the area had already secured private funding via opportunity zones. Therefore, it appears that entities that were already the centers of employment and wealth in the region were set to receive the majority of the aid afforded by opportunity zones.<sup>156</sup>

Ignition Park is within an opportunity zone.<sup>157</sup>

The tracts that Mayor Pete wrote about in his article were only four of the seven nominated by Indiana's governor, Eric Holcomb, in April 2018.<sup>158</sup> Buttigieg had pushed for the inclusion of developed areas in lieu of communities with greater needs, according to former South Bend council member Regina Williams-Preston.<sup>159</sup> But these arrangements are unsurprising. Buttigieg has strong relationships with developers in the area, likely because subsidies he championed as mayor aided them and, in return, developers have been generous donors to his political efforts.<sup>160</sup>

A flagship for Buttigieg's 2020 presidential run was a program he initiated as mayor in which he tore down hundreds of homes in impoverished neighborhoods and offered incentives to luxury condominium developers. One such developer was the Bradley Company, a real estate partner of Great Lakes Capital (GLC), a private equity firm that donated \$5,000 to Buttigieg's 2015

mayoral campaign. About a month after Buttigieg's reelection, the local redevelopment commission unanimously voted to grant GLC \$790,000 to revitalize a downtown building. Top-level Bradley Company employees, including the co-founders, would later donate more than \$9,000 to the mayor's presidential run in just the first quarter of 2019.<sup>161</sup>

GLC also had a hand in the development of Ignition Park, a jet engine lab within the park, and a high-end office building nearby. The \$36 million engine lab was made possible by partnerships between Notre Dame, General Electric, the city of South Bend, the Indiana Economic Development Corp., Indiana Michigan Power, and with a \$6 million contribution from GLC. In late 2017, the office building won GLC a \$9 million tax abatement. South Bend-based healthcare company Press Ganey also received one of seven tax abatements approved in 2019 to help them move into a \$16 million GLC property within the opportunity zone.<sup>162</sup>

More concerning was when another Indiana-based developer, RealAmerica Development LLC, agreed to purchase a historic hotel for a single dollar in 2015. The company's president later donated to Buttigieg's presidential effort. Given these sorts of relationships, it is unsurprising Buttigieg would have had high hopes for the opportunity zone program.<sup>163</sup>

#### Chris Christie

The former governor of New Jersey, Chris Christie has moved out of politics and into the world of real estate investment. Christie and his wife, Mary Pat Christie, co-founded a northeastern property management fund called the Hampshire Christie Qualified Opportunity Fund LLC. The fund, partnering with a pre-existing firm of the same nature, Hampshire Cos., focuses on tax break incentives, primarily opportunity zones.<sup>164</sup>

Chris Christie serves as a senior advisor while his wife, drawing on her experience in the financial sector, serves as the firm's executive vice president.<sup>165</sup>

Their partners, Jon F. Hanson and James E. Hanson II, are longtime allies of Christie. The former had not only been a campaign donor for Christie, but also Christie's finance chairman for both of his gubernatorial campaigns. Their efforts appear to have helped Jon F. Hanson land the job of chairman of the New Jersey Gaming, Sports and Entertainment Advisory Commission. James E. Hanson, Hampshire Co.'s chief executive, claimed that planning for the fund was set to begin as soon as Christie left office in January 2018 saying, "Both Chris and Mary Pat had information with regard to these qualified opportunity zones, and together we said this might be a great opportunity to do it together."<sup>166</sup>

While Christie never designated any opportunity zones before ending his term as governor, it seems that he was aware that he would be able to make personal use of it, knowing that the first tranche of zone designations would take place later in the year. He left the responsibility to his successor, Phil Murphy, who nominated a tract in Hackensack, where Christie's fund was targeting investment toward four apartment buildings. The firm also promoted a development in New London, Connecticut.<sup>167</sup>

Interestingly, the former governor spent time and almost \$1 million in 2018 attempting to block the publication of correspondence he had with Jared Kushner's real estate firm, Kushner

Companies. And, after being fired as head of President Trump's transition team, he questioned whether Kushner was to blame despite Kushner's benefiting from Christie's gubernatorial policies to the tune of a \$33 million tax credit.<sup>168</sup> Why Christie wanted to hide this correspondence with another real estate Trump insider during this time is unknown.

## Others

Many of the wealthy elite stand to gain from these tax incentives. Not all planned for this, having pre-existing investments in tracts that would later be designated QOZs. This highlights another common criticism of the program: federal funds may go to investments that were going to happen anyway. Now, they may be available at free or discounted tax rates.

Among these companies are: Jeff Bezos's Blue Origin, which established an engine manufacturing facility in Huntsville, Alabama in February 2020; Richard Branson's Virgin Galactic, which operates out of facilities in New Mexico and California that were also included; and Elon Musk's SpaceX Texas-Mexico border launching site<sup>169</sup>, and Microsoft via a \$475 million investment into a Seattle housing development. Two of Microsoft's former executives also launched a fund making similar investments.<sup>170</sup>

In 2019, Kevin Plank, CEO of Under Armour, held a 40 percent stake in a Baltimore-area commercial and residential development called Port Covington. Initially, a staffer to Maryland's Governor Larry Hogan wrote in an email that the development did not qualify as an opportunity zone. However, Plank's lobbying eventually paid off when Hogan included the area in the program.<sup>171</sup>

## EDA Leadership

Most of the EDA's current leadership are new appointees made by the Biden administration. However, most have served in the federal government for some time before arriving there.

Alejandra Castillo is the current Assistant Secretary of Commerce for Economic Development. She was sworn in August 13, 2021, succeeding the two lengthy terms of interim leadership by Dennis Alvord, who served as acting assistant secretary twice, first from April 2017 through March 2019 and, again, from January through August 2021.<sup>172</sup>

Castillo's tenure in government spans the administrations of Clinton, Obama, and Biden beginning with the White House Office of National Drug Control Policy in the 1990s. She first joined Commerce in 2008 as an advisor to the department's International Trade Administration. During Trump's presidency, she stepped away from government to fill the role of CEO at YWCA USA, an activist group.<sup>173</sup>

It seems a common pattern for leaders of the EDA to maintain close ties with the highest levels of the executive branch.

For instance, back in 2018, Trump nominated longtime Congressman, and early campaign supporter John Fleming as Assistant Secretary of Commerce for Economic Development. Fleming then went to the White House as an advisor to the President and his longtime aide, Dana

Gartzke, replaced him at Commerce. Gartzke, had spent twenty-two years on Capitol Hill as chief of staff to three members of Congress.<sup>174</sup>

Under Obama, Jay Williams held the role. Williams was plucked from his place as mayor of Youngstown, Ohio to serve as Obama’s “auto czar” and as an advisor to the Secretary of Labor, the Director of the National Economic Council, and President Obama himself on legislation.<sup>175</sup> In November 2020, he was brought on as a member of one of Biden’s agency review teams to aid the transition process in the Treasury Department.<sup>176</sup>

Other positions are occupied by people involved in the Democratic political machine such as the EDA’s current chief of staff, Molly Ritner, who comes from a political fundraising background as National Political Director for the Democratic Congressional Campaign Committee. Most recently, this included Biden’s presidential campaign for which she was the Deputy States Director and Super Tuesday and Beyond Director.<sup>177</sup>

## Conclusion: Looking Forward

The Commerce Department is no swampy backwater, but a tucked-away oasis of quiet wealth and privilege for the wealthy and well-connected. Penny Pritzker’s companies found that the Commerce Department complemented her real estate investments well. Likewise, Wilbur Ross left office at least \$53 million wealthier than when he entered.<sup>178</sup> And within days of the end of his term, he started a new investment vehicle helmed by old business partners and former Commerce Department staffers alike.<sup>179</sup>

Gina Raimondo, Biden’s Commerce Secretary, has a history in finance, having founded venture capital firm Point Judith Capital in 2000.<sup>180</sup> But, unlike her immediate predecessors, she joined directly from public service, most recently as governor of Rhode Island starting in 2015. Still, Raimondo is no lightweight and is worth roughly \$10 million, based on her financial disclosure and as reported by Forbes.<sup>181</sup>

Andrew Moffit, Raimondo’s husband, worked for twenty years at consulting mega-firm McKinsey & Co., where he rose to be its Global Head of Capabilities. In 2020, he joined PathAI, a software company applying artificial intelligence and machine learning to medical diagnostics.<sup>182</sup>

Moffit exercised PathAI stock options in February 2022 and left his full-time role with the company to become its strategic advisor, deepening his financial ties to the firm while creating the appearance of distance between his role with the company and his wife’s duties as Commerce secretary.<sup>183</sup>

Artificial Intelligence has been highlighted in recent years by the Commerce Department’s Bureau of Industry and Security as an “emerging technology” to which export controls may be applied.<sup>184</sup> Possible restrictions include the sharing of AI technology with foreign employees, an area in which Moffit could well be responsible as “Chief People Officer.”<sup>185</sup> In 2019, US-based venture capital firm Danhua Capital Management (doing business as DHVC) participated in a \$60 million fundraising round for PathAI. DHVC not only has holdings in sensitive technology sectors, but has also been on Congress’ radar due to its ties to a Chinese state-owned entity amid

concerns about US trade dependence on China and intellectual property theft. Therefore, DHVC's relationship with PathAI could raise conflict-of-interest and/or national security concerns.<sup>186</sup>

And that is to say nothing of the lower profile staffers who handle the Commerce Department's day-to-day business. As global trade issues mount, tensions with China continue to generate uncertainty, and programs like Qualified Opportunity Zones come into full effect, the Commerce Department's influence will only grow.

## Endnotes

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