

**PREPARED TESTIMONY OF CHARLES LEWIS
CHAIRMAN AND EXECUTIVE DIRECTOR
THE CENTER FOR PUBLIC INTEGRITY
before the
UNITED STATES SENATE
COMMITTEE ON GOVERNMENTAL AFFAIRS
March 5, 1993**

Mr. Chairman, members of the committee, I appreciate this opportunity to discuss with you today proposed legislation that would revise the post-employment rules for executive and legislative branch employees. First, some brief background.

Unlike some of the other witnesses this morning, I do not work for the government, nor am I a lobbyist. For 11 years I did investigative reporting at ABC News and CBS News, most recently as a producer for the program, "60 MINUTES." Now I run a nonprofit research organization with an Advisory Board of distinguished Americans called the Center for Public Integrity, which was founded to better understand what has been happening to public service. The past two years, the Center has published 10 investigative studies about public service and ethics-related issues. The Center is funded by foundations, corporations, labor unions, individuals, and revenue from news organizations.

The Center does not endorse or oppose specific legislation or Presidential nominations. However, we have done considerable research about lobbying and the post-employment practices of government officials. It is my understanding that some Members of this Committee are skeptical that there is a real problem these days in Washington when it comes to lobbying abuses or the "revolving door" between the public and private sectors. Apparently there is some sentiment that the news media or candidates in the heat of the presidential campaign have blown the situation out of proportion.

Simply stated, I'm here to tell you that there is indeed a serious problem. The Committee's work this morning, considering the merits of S. 420 and S. 79, must be placed in its proper context, of what has been going on here in Washington these past few years, and of the various specific findings we have made at the Center about these issues.

The fact is, public service is not what it once was. As the National Commission on the Public Service, popularly known as the Volcker Commission, concluded, "there is evidence on all sides of an erosion of performance and morale across government in America. Too many of our most talented public servants -- those with the skills and dedication that are the hallmarks of an effective career service -- are ready to leave. Too few of our brightest young people -- those with the imagination and energy that are essential for the future -- are willing to join."

At the same time, lobbyists in Washington have become in

Washington what investment bankers became in the Eighties in New York. There are huge sums of money to be made, and few real controls.

There was a time not too long ago when government and public service were held in high esteem and respect, when this country's best people were drawn to Washington to work for the public good, in the public interest. In recent years, however, particularly in the Eighties, there seems to have been a perversion of public service. Money has become the dominant influence in our political system, particularly in how officials are elected, in the day-to-day mechanics of public policy in Washington, and in the post-employment practices of public officials.

Several disturbing scandals have wracked this town the past few years, scandals which all seem to involve large numbers of people, large sums of money, and former officials attempting to cash in on their influence and access. The HUD scandal, the S & L debacle, the Defense procurement "Ill Wind" fraud; Iran-Contra; the entire Michael Deaver controversy; AND the phenomenon of former top trade officials going to work for foreign governments and foreign companies, all have a similar, systemic theme.

As Independent Counsel Whitney North Seymour put it in the Deaver matter: too much "loose" money and too little concern in Washington about ethics in government.

Not surprisingly, for many Americans, confidence in public officials and in Washington is at a low ebb. So is citizen participation and involvement in the process of government. As the New York Times put it, "Americans are being insulted by a political culture that places private gain ahead of public trust."

Just how commercialized has our society and public service become? Can you imagine former Secretary of State Dean Acheson doing airline commercials, or former President Dwight Eisenhower receiving \$2 million from Fujisankei Communications for two 20-minute speeches in Tokyo?

With the Bush Administration out of office all of a month, it was recently reported by the Houston Chronicle that former Secretaries of State and Commerce, James Baker and Robert Mosbacher, have both signed up as "consultants" to the Texas-based energy concern, Enron Corporation. Both men will not lobby anyone here in Washington, they will assist Enron in opening up new markets around the globe. All their years of overseas travel to foreign capitals, paid for by the American taxpayer, will now pay off handsomely for Enron Corporation, which put up \$250,000 to help pay for the 1992 Republican Convention festivities in Houston. We live in a truly global society, and access and influence are valuable not only here in Washington but also in Mexico City, Jakarta or Riyadh.

This is all legal, even under the proposed "reform" measures under discussion today.

In December, 1990, we released our premiere study, "America's Frontline Trade Officials." For roughly a year, seven researchers had compiled government records and press accounts tracking the careers of 74 current and former senior officials from the Office of the U.S. Trade Representative, the White House agency which coordinates U.S. trade policy. Interviews were conducted with nearly 50 former USTR officials who served there since 1962.

Among other findings in the 90,000-word study, the Center reported that 47 percent of all former senior USTR officials since 1974 have registered, or their firms have registered, with the Justice Department as foreign agents representing foreign companies and foreign governments. Many of these former officials have gone back and interacted with some of the same people and same governments and same issues as during their USTR employment. Four presidential candidates in 1992 -- Clinton, Brown, Buchanan and Perot -- relied on our findings in speeches. As Robert Kuttner wrote in The American Prospect, "What is new about the Center's report is the documentation of a pattern that pervades the entire agency . . . this revolving door is virtually the normal career pattern."

This revolving door phenomenon as pertains to USTR officials later working for overseas interests, is fairly recent. From 1934 and the Reciprocal Trade Agreements Act, to 1962, trade policy in Washington was handled principally by the State and Commerce Departments. From 1934, to 1962 and the addition of the Office of the Special Trade Representative, as it was then called, into the late Seventies, federal trade officials all had a fairly common pattern. They were trade policy professionals and for many of them, liberalizing trade around the globe was not just a job, it was a cause. One of the most respected trade professionals who served in the State Department and at USTR, told us that, "These were career people, this was their career, and they regarded it as their career, and they weren't looking for something else... There was great continuity here ... Somewhere along the line, people coming into the USTR did not look at this job as a career. They looked at this job as a step up in their careers. They put out calling cards. I never had a calling card." According to this gentleman, today there seems to be less dedication, and people seem to be less committed to a life of public service, "The turnover you now have in the USTR, we NEVER had when I was working at USTR."

The first, book-length public discussion about former U.S. officials and the revolving door to foreign lobbying in Washington actually occurred in Japan. In 1980, Yoshi Komori and Toshio Obi wrote Japan Lobby, detailing among other things the activities of former Special Trade Representative William Eberle and former

Deputy STR Harald Malmgren in the late Seventies. Eberle and his Manchester Associates landed a \$12,000 monthly retainer from Nissan. Malmgren and his Malmgren, Inc., received \$300,000 from five Japanese electronics companies. The Center has had a section of the book translated from Japanese. Komori and Obi, citing the Malmgren contracts, criticized Japanese lobbying in Washington as "next to idiotic," calling the fees paid to Malmgren "out of order" with standard lobbying fees in Washington.

In the late Seventies and Eighties, as America's international trade position became more critical, large sums of money, literally hundreds of millions of dollars -- for public relations, traditional lobbying, information monitoring, economic and political analysis, legal representation, etc. -- began flowing into Washington from abroad.

Around this time, more and more USTR officials began to leave government and work for these overseas interests. And it wasn't just the highest, most experienced officials from USTR. Consider the case of Steven Saunders.

After less than 18 months as an Assistant U.S. Trade Representative for Congressional and Public Affairs, Saunders left USTR in early 1982, at the age of 35. Nine months later, he was on retainer to the Japanese Embassy. According to Justice Department records, last year his small consulting firm, Saunders and Company, represented five foreign clients, four of them Japanese including the Embassy, and received \$240,000 in fees and expenses.

Unfortunately, there is no shortage of such examples. The situation is troubling, and it raises a panoply of fascinating questions: can a top U.S. trade official be a tough negotiator if his peers are leaving to make huge sums of money from Hong Kong or Japan or West Germany? Can a U.S. trade negotiator making \$70,000 or \$80,000 not be affected by the knowledge that when he or she leaves, he may be worth two or three times his former salary, especially to foreign interests? Can a U.S. trade official honestly say he or she is unaffected when a former friend and colleague approaches the agency on behalf of the French or British, seeking some sort of special consideration? Will American companies trust U.S. government trade officials with proprietary information about their technology and industry trade initiatives and plans, if they fear the officials to whom they are entrusting the sensitive data will soon be working for overseas interests, including their business adversaries?

I believe this revolving door problem in trade is eroding trust, morale and confidence in government. It is difficult to overstate the seriousness of this matter, in light of the huge trade deficits of the U.S., and the increasing realization that America's economic competitiveness in the world has become a critical component of our national security and financial

wellbeing.

As I've said many times, we do not expect federal prosecutors to leave government and go to work for the Colombian drug cartels. We do not expect American generals to go fight for Iraq after leaving government service. And Americans do not expect top U.S. trade officials to leave government and go to work for Korean, Japanese, or West German interests -- those companies and governments which are actively competing against the U.S. in the world marketplace.

Trade policy and trade agreements must have credibility, and the public must be confident that official trade decisions in government have been made strictly on the merits and the substance. That credibility and that confidence are eroding.

Take the case of Edward Gottfried. He worked in the U.S. government from 1954 to 1985, and for ten years, from 1975 to 1985, he was Deputy Director of the Commerce Department Office of Textiles and Apparel. In that position, he developed U.S. trade negotiating positions, participated in several international trade negotiations, and was the deputy director for textiles and apparel.

He then left government, and formed his own consulting firm, Trade Consulting Services, and advised other nations, including China, on international trade matters. His specialty continued to be textiles and apparel, and he briefly published a newsletter on that subject.

Gottfried came back into government in 1989, and joined USTR as a special textile adviser and negotiator. He headed delegations negotiating trade agreements with the Soviet Union, Pakistan, India and Egypt. He also defended U.S. trade positions before groups of the General Agreement on Tariffs and Trade (GATT).

The Pakistan agreement Gottfried negotiated, was concluded in Islamabad in December, 1989, and it became effective January 1 of this year. Talks to restructure the earlier bilateral agreement had been initiated months earlier by Prime Minister Bhutto during her state visit to the U.S. According to the United States Information Service news release issued December 13, the agreement "enables Pakistan to ship much higher volumes of textiles to the U.S. in many product categories." According to the Commerce Department, Pakistan imported \$377 million worth of textiles to the U.S. last year; official estimates for 1990 are \$450 million, an increase of about 20 percent.

In late December and early this year, Gottfried began planning his departure from USTR. He submitted memoranda to the USTR General Counsel as to his intentions and his recusals. A Freedom of Information Act request by the Center to USTR for the Gottfried memoranda was denied.

Gottfried's last day at USTR was April 28, 1990. Upon his departure from government again, he received a glowing letter from U.S. Trade Representative Carla Hills, who said: "You have done a superb job on many negotiations. Clearly, the most outstanding example of your efforts was the textile negotiations with Pakistan. Your hard work and creativity were essential in crafting a solution that was politically acceptable to both sides, thus strengthening our political and economic relationship with Pakistan."

Within two weeks, he was back in Pakistan.

According to the Pakistan English language daily newspaper, Dawn, in an article entitled, "Textiles: Any Buyer for U.S. Lobbyists' Services?" on May 14, 1990, Gottfried and another American had been in Islamabad and Karachi days earlier attempting to negotiate a contract to represent Pakistan textile interests in Washington, among other services offered, at a cost estimated by the newspaper to be \$1 million for two years. The full text of the article was sent immediately by the U.S. Embassy in Islamabad, to USTR officials in Geneva and Washington.

The Pakistan Government official quoted in the newspaper account about the lobbying proposal, was Federal Commerce Secretary Saeed Ahmad Qureshi, "The Ministry of Commerce is looking into the offer but we cannot bear the cost. If the private sector can foot three-fourths of the bill, only then we may consider it."

Saeed Ahmad Qureshi is the same man with whom USTR official Edward Gottfried had negotiated and signed a Memorandum of Understanding back in December, 1989, five months earlier.

The Center has several documents about all of this, including the Memorandum of Understanding with Pakistan, the telegram sent from Islamabad to Washington with full-text of the article, a copy of the formal announcement mailed out, and a brochure, of International Public Strategies, the Washington consulting firm Gottfried joined as Vice President for International Trade.

The Gottfried deal never went through, and the publicity in Islamabad probably was not helpful in that regard.

I spoke with Mr. Gottfried about all of this. He confirmed the basic facts, and said that regarding his post-employment practices, "there wasn't a damn thing wrong" with returning to Pakistan with a proposal for representation. Gottfried said, "I was very honest." He said he spent considerable time finding out what he could do and not do under the various ethics laws, and the USTR General Counsel's office in fact subsequently told him that he had done nothing legally wrong.

The purpose of mentioning this is not to single out Edward

Gottfried -- the name could be Jones or Johnson, the country could be Hong Kong or Honduras, the product negotiated could be rice or radios. The point is that what Gottfried did is today acceptable practice in trade policy public service in Washington.

How and why has this become so acceptable?

In our study, we found no instance of a USTR official ever being accused of illegality or prosecuted. For that matter, since the Watergate reform years of the mid-Seventies, I don't know of any former public official who has been successfully prosecuted for violating conflict-of-interest lobbying laws.

This revolving door phenomenon is not aberrational, and it does not just occur with political appointees or only with trade lawyers. The revolving door to foreign lobbying by USTR officials is bipartisan, and to use Meg Greenfield's well-chosen word about the general practice of former federal officials cashing in on their access, experience, and sometimes even inside knowledge, what we are describing here is "ecumenical."

One last word about the post-employment practices of U.S. trade officials. We are doing a major investigative study due out in a few months, in which a foreign country has hired more than a dozen of our top former trade officials. The "revolving door" to foreign lobbying has not slowed down the slightest bit, as far as I can tell.

A year ago, in February, 1992, a week after the New Hampshire primary, the Center issued "Under the Influence: Presidential Candidates And Their Campaign Advisers." This was the first systematic look at unpaid policy advisers to the presidential candidates. We found that, for example, the deputy manager of the Bush-Quayle re-election campaign, James Lake, was also a registered "foreign agent" on behalf of the owners of the Bank of Credit and Commerce International (BCCI). During that time, BCCI was under seven federal grand jury investigations.

One other finding from that study was that four presidential candidates -- Clinton, Harkin, Kerrey and Bush -- had 31 unpaid policy advisers who were personally registered as foreign agents at the Justice Department, or whose firms were registered there.

Last September, the Center published "Private Parties: Political Party Leadership In Washington's Mercenary Culture." We found that political party chairmen have been registered as lobbyists **simultaneous** to serving in their party position, with access to the highest levels of our government. Indeed, we found that since 1977, half of the national party chairmen received outside income from law firms or corporations. For example, the immediate past Democratic Party chairman, Ron Brown, solicited government business for both his law firm and the company he

headed. He also traveled to Japan on law firm business while serving as DNC Chairman.

We also found that since 1977, half the party chairmen have been registered with the Justice Department, either before or after their party tenures, as foreign agents for overseas corporations and governments.

Finally, this past December, we issued "The Torturers' Lobby: How Human Rights-Abusing Nations Are Represented In Washington," by Pamela Brogan. We found that over a dozen former U.S. officials have signed up to help some of the most repressive regimes in the world obtain U.S. aid.

Later this year, we are publishing major investigative studies about the post-employment activities of S & L regulators, and EPA Superfund officials. In the case of the top Savings and Loan officials on whose watch the worst financial disaster in U.S. history occurred, roughly two-thirds of these men and women supposedly safeguarding the public trust came from or returned to the thrift industry.

The principal theme of much of our work at the Center comes down to this: national decision-making in this country has become grotesquely distorted by what I have been calling Washington's mercenary culture. A marketplace mentality now surrounds public service, and every day we are confronted with former U.S. officials cashing in on their government service, capitalizing on the instant access, influence, experience and inside information of their former positions covering a multitude of areas, including trade, housing, banking, health, pollution control, even intelligence.

It is difficult to look at the ethical and anthropological landscape in Washington these days and conclude that existing post-employment restrictions in current law are adequate. Frankly, they are practically irrelevant to the kinds of systemic abuse and influence-peddling which I have described.

Will the proposed legislation under discussion today halt all offensive post-employment behavior in this town? Of course not. Officials will continue to cash in on their government service, but with a new law, it presumably will be more difficult to make a quick score. A more tightly-worded law sends a symbolic message throughout Washington which by itself, begins to change the whole ethos in this city about what is and is not acceptable behavior. It also makes it easier for prosecutors to aggressively pursue conflict-of-interest and lobbying violations -- now there's a novel thought!

Then there is that familiar old argument that stricter post-employment rules might adversely affect government recruitment. It is a specious and obnoxious refrain, in my opinion. There are 300

million Americans in this country; each President has a few thousand political appointments to make. You cannot convince me that the fate of the Republic is in grave peril because the top lobbyist in Washington for Mitsubishi might not want to join the new Administration. As a matter of fact, lobbyists for Mitsubishi and Toyota have Cabinet or sub-Cabinet positions in the new Administration. Exactly who are we afraid of losing from the privilege of government service? I believe that geography and the private sector-public sector pay differentials are far more relevant than post-employment rules to individual decisions sometimes to decline an offer to do public service.

I do have some questions about the proposed legislation. It seems to me that perhaps more explicit wording might be useful to clearly define what exactly is a "foreign national."

And what kind of lobbying restrictions should apply to campaign consultants, those shadowy figures who emerge every quadrennial close to a President and trade on the perception of that closeness in the ensuing years? Should the deputy campaign manager of a national political campaign also be a registered foreign agent for the owners of BCCI? I don't think so.

And what about party chairmen -- should they be for sale to the highest bidder? They nominally lead millions of people with a distinctive point of view on public policy issues, and have access to the highest levels of government. But the parties are "private corporations" and thus we currently view the chairmen as mere private citizens. There are practically no disclosure requirements on their activities, and there are effectively no regulations regarding their conduct while in office.

Finally, I've been asked to discuss the relationship between post-employment rules and public confidence in government. 1992 was a watershed year, in which more than a 100 new Members have come into the Congress, in which three-fifths of the vote for President was a protest against the status quo, in which four presidential candidates promised to end "politics-as-usual" here in Washington. Public confidence in government has been at a low ebb for many years, and now, there is a glimmer of hope. Maybe, just maybe, the powers that be will actually commit real government reform.

John Q. Public doesn't know or care much about specific post-employment restrictions. For years, there has been, to use Bill Greider's excellent phrase, a "betrayal of American democracy." This country has been promised reform by politicians at almost all levels. It's in the air.

If it doesn't actually happen, the people will know it. And I can't think of a more bitter betrayal.

I am excited by the interest and commitment of this Committee

in these critically important issues, and I hope that whatever emerges from your work embodies the collective, national yearning for real, historic change.

Thank you.