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As Commerce Secretary Ross Heads to China, Possible Conflicts of Interest Obscure Whether He Is Negotiating on Behalf Americans or His Own Business Interests

Reversing the Growing Trade Deficit With China Will Require a Coherent Policy Package, Not Self-Serving Business Deals

WASHINGTON, D.C. – U.S. Secretary of Commerce Wilbur Ross or his family still may benefit from his stake in a company with liquefied natural gas (LNG) shipping capacity called Navigator that could profit from the new U.S. gas shipments to China that Ross is slated to negotiate during his imminent trade mission. Ross also has yet to submit documentation that he has divested from Diamond S shipping, an oil tanker business in which he and a Chinese state-owned enterprise were partner investors. These conflicts of interest call into question in whose interest Ross will be negotiating when he heads to China on June 2 to try to secure contracts with the Chinese government to buy more U.S. energy exports.

“Secretary Ross making more gas export deals instead of addressing the Chinese policies hurting the U.S. manufacturing sector that President Donald Trump pledged to revive smacks of self-dealing,” said Lori Wallach, director of Public Citizen’s Global Trade Watch. “And that scent is in the air, given Trump just personally intervened to reverse national security sanctions against Chinese firm ZTE after a Chinese government firm bailed out a real estate development in which the Trump Organization was invested.”

Ross’ advocacy for natural gas exports has spanned nearly his entire tenure in office, in ways that could benefit not only his shipping interests but also his investments in natural gas exploration. Ross already may have advanced priorities that benefit his holdings in shipping and natural gas firms. Details on these conflicts are provided in a March report by Public Citizen’s Global Trade Watch.

In response to the March report and accompanying news coverage, a spokesperson for Ross said that Ross moved the investments in question to an “irrevocable trust” and that he is not legally required to report such a transaction through the public financial disclosure system. Though Ross therefore may no longer be the legal owner of these assets, the trust’s beneficiary could be a member of his immediate family, and income accruing to his adult children from the trust need not even be reported.

Further, as the previous owner, Ross has intimate knowledge of the trust-held firms’ operations. Ross’ spokesperson was not specific as to which assets were moved into this trust (saying simply, “these companies”), so Ross may continue to directly own some assets that present conflicts. Ross has not
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proven that all assets that could pose conflicts with his latest efforts to negotiate with China on natural gas issues were moved to this trust.

Below is additional information on the specific past potential conflicts of interest:

- **Navigator Holdings shipping conflicts:** Navigator has liquefied natural gas carrying capacity. In conjunction with Trump’s state visit to China on November 8-9, 2017, Ross announced a $43 billion investment deal by the Chinese government’s main energy-related state-owned enterprise, Sinopec, the China Investment Corp. and the Bank of China to develop Alaskan natural gas resources including an LNG liquefaction plant, an 800-mile pipeline and the development of a port. This deal, and a spring 2017 Comprehensive Economic Dialogue (CED) transaction Ross negotiated with the Chinese government to expand natural gas exports, could benefit his shipping interests in Navigator Holdings. Ross was a principal shareholder of Navigator, with his WL Ross Group owning a 39.4 percent share as of the latest filing with the U.S. Securities and Exchange Commission. Ross disclosed he sold up to $50,000 in Navigator stock in a transaction dated May 31, 2017. With no other record of divesting Navigator shares, this amounts to a small divestment out of Ross’ overall holdings in Navigator that could total $125 million.

- **Diamond S Shipping conflicts:** Ross’ former company, WL Ross & Co. and Ross’ DSS Holdings LP, a subsidiary of WL Ross Group, were both investors in Diamond S Shipping, the owner and operator of 32 tanker vessels sailing under the Chinese flag. Ross’ partner in this investment is the Chinese government via the Chengdong Investment Corporation, a subsidiary of the main Chinese sovereign wealth fund, China Investment Corporation (CIC). Ross acceded in his ethics agreement to resign and divest from WL Ross & Co. but stated that he would keep a passive stake in DSS Holdings LP and its Diamond S Shipping stake. However, after the prospective conflicts between his official duties and Diamond S stake were reported in the press, in November 2017, Ross announced he had divested fully from Diamond S Shipping. Ross had not shown proof of divestment from Diamond S or the holding companies that held Diamond S stock in any one of the 27 periodic transactions reports he has filed, the last of which is dated November 21, 2017.

- **Natural gas exploration business conflicts:** While announcing on May 11, 2017, new natural gas export opportunities to ship LNG to China as a result of the 100-Day Action Plan of the CED, Ross still had not shown proof of divestment in holdings in seven companies engaged in the natural gas exploration business that he owned through an entity called WLR Conduit MM LLC. Ross reported divesting these assets through his Certification of Ethics Agreement Compliance on November 1, 2017. However, as with DSS Holdings referenced above, WLR Conduit MM LLC and the natural gas companies it holds do not appear in Ross’ transaction reports, so no proof of divestment of these specific assets exists. Whether Ross’ firms directly benefitted from the natural gas-related transaction remains unknown. However, these firms are among those that could benefit from additional U.S. natural gas exploration to supply China as well as from additional gas exports to China, which in turn would benefit Ross’ personal holdings.

“Ross must prove that he is not exploiting his role in trade negotiations with China to benefit his own family’s investments in energy-related assets,” said Wallach. “The voters who elected Trump because he promised to restore American jobs lost to unfair China trade just witnessed Trump celebrate a premature back-down on threatened China tariffs and reverse national security sanctions on a Chinese firm after the Chinese government granted new trademarks to Ivanka Trump’s business and bailed out an Indonesian
project in which the Trump Organization was invested. Now the official sent to negotiate with China may also have conflicts of interest?”

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